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MANAGEMENT AND INCOMES POLICY

by

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I also wish to acknowledge the generous co-operation of the managers, whose views are presented in this report, for granting me so much of their time in assisting in this project. Finally, I am grateful to all the firms who allowed their employees to be interviewed and without whose collaboration research of this nature would have been extremely difficult.

ABSTRACT

The difficulty of achieving Britain's economic objectives has resulted in successive governments searching for a new and effective economic tool to use in addition to existing fiscal and monetary policies. This instrument could be the prices and incomes policy which has been evolved in an attempt to solve the problem persisting in many developed economies; that of controlling the growth of inflation while maintaining full employment.

While the national leaders of employers federations and trade unions have expressed their views on the policy, little is known about the views of practicing managers and rank and file trade unionists, ie. the men involved in actually implementing the policy. This study attempted to bridge part of this gap and sought to discover the extent of managers' understanding of and their opinions on many features of the prices and incomes policy. The report was based on a survey of the opinions of 270 senior managers engaged in a wide range of manufacturing industries.

The most general finding was that the respondents' knowledge of the prices and incomes policy was somewhat limited. Despite the imperfect understanding of both the policy and its aims, considerable support existed for such a measure.

The managers with a greater degree of comprehension of Britain's economic difficulties and the prices and incomes policy were, however, more inclined to support the policy than those with a lower level of understanding. To examine this finding more closely a study was made of environmental factors which could have affected the respondents' knowledge of the policy with a view to discovering means of raising managements' apparent low level of understanding of economic affairs.

It was also discovered that the majority of the respondents believed that a prices and incomes policy had a role to play in Britain's economic future. Opinion, however, was divided over the issue of whether the policy should be a permanent feature of economic policy or used only as an instrument of control at times of crisis. To enhance the prospects of the policy's success most of the respondents thought that the Government would have to use powers of compulsion.

Information was also obtained about the respondents' views on a second role for the policy as an arbiter of social justice in determining the relative level of incomes. This facet of the policy also received general approval.

The overall conclusion of this research is that Government and management should be more fully aware of each other's

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views. This, it would seem, would lay the foundations of a deeper understanding on both sides and increase the managers' willingness to co-operate with the Government.

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of the nation's largest companies trying to put an end to the
series of "Stop-Go" policies which had bedevilled the British
economy in the 1950's.

(1) E.H. Phelps Brown, *Guidelines for Growth and for Incomes in
the United Kingdom: some possible lessons for the United
States*, in George F. Jault and Robert E. Oliver, Editors,
Guidelines, Internal Controls and the Market Place, University
of Chicago Press, 1966, p.104.

INTRODUCTIONThe Purpose of the Research

For many years now Britain has been plagued by a recurrent balance of payments problem. Successive administrations have employed many methods in their attempts to combat the dangers of inflation. In 1962 a new approach to the problem was made. The Conservative Government itself assumed the responsibility for laying down guidelines for incomes and it instituted a special body, the National Incomes Commission, to watch over their observance. This marked the beginning of the type of incomes policy which Britain has today. It might seem surprising at first that a government more dedicated than a Labour Administration to a free enterprise system should set up an institution to pass pay rises in review but it appeared that pressure had come from an unexpected quarter. Phelps-Brown has declared that

"the instigation to a return to economic planning came not from socialist circles but from top management."(1)

Indeed, Phelps Brown has given many instances of managers in some of the nation's largest companies trying to put an end to the series of "Stop-Go" policies which had bedevilled the British economy in the 1950's.

(1) E.H. Phelps Brown, Guidelines for Growth and for Incomes in the United Kingdom: some Possible Lessons for the United States, in George P. Shultz and Robert Z. Aliber, Editors, Guidelines, Informal Controls and the Market Place, University of Chicago Press, 1966, p.144.

In December 1964, shortly after the Labour Government came to power, the Joint Statement of Intent on Productivity, Prices and Incomes⁽¹⁾ was signed by representatives of the Government, employers' organisations and the T.U.C. In this statement, management and unions not only accepted the principles of keeping the rise of incomes in line with that of productivity and stabilizing the price level but pledged to try to assist the Government to give "effective shape" to the Government's prices and incomes policy.⁽²⁾

This seemed to be achieving what certain writers had believed to be necessary for some years.⁽³⁾ Phelps Brown has stated that management could have done more to control wage increases pointing out that the most willing of trade union leaders could not do better than the managers in his industry gave him a chance to do.⁽⁴⁾

The Labour Government, having obtained management's agreement to assist in the formation of the policy realised at an early stage that the policy would only be effective if management supported it.

(1) December 16th 1964.

(2) Some felt management should have more say in determining the incomes policy. See for example J.R. Crossley, *Collective Bargaining, Wage Structure and Labour in the United Kingdom*, in E.M. Hugh Jones, editor, Wage Structure in Theory and Practice, North Holland, Amsterdam, 1966, p.192.

(3) Even Taylor proposed that management and men should work together to increase the size of the surplus instead of squabbling over its division in order that wages could be increased, profits raised and the price to the consumer of the final product could be reduced. F.W. Taylor, Testimony before the Special House Committee, 1912, (Reprint of Public Document, Harper Bros., New York), pp.28-30. The Surplus was composed entirely of wages and profits. If material costs, selling costs and indirect expenses were subtracted from the selling price of a good the surplus remained.

(4) E.H. Phelps Brown, op.cit., p.161.

"The success of the policy will depend upon the extent to which unions and employers and others concerned with the fixing of incomes apply it in practice."(1)

The Labour Government replaced the National Incomes Commission in 1965 with the National Board for Prices and Incomes (N.B.P.I.). This new Board not only had a judicial component and sat as a court of inquiry into past events watching over the guidelines of pay and prices but also made recommendations designed to influence future decisions. The N.B.P.I. relies mainly on persuasion rather than exhortation or command⁽²⁾ and this is where the policy relies on management. In any given wage bargaining situation there are limits beyond which managers are not prepared to go.⁽³⁾ The maximum increases allowed under the incomes policy criteria may, however, be well within a firm's normal limits for allowing pay rises. Management therefore holds the key to the success of the policy. Will the managers obey the policy or will they allow their own firm's interests to come first?

From 1965 to the time of writing the incomes policy has continued more or less unchanged apart from the twelve month period commencing in July 1966 of the Prices and Incomes Standstill and the Period of Severe Restraint which afterwards led to delaying

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- (1) Machinery of Prices and Incomes Policy, Cmnd.2577, H.M.S.O., London, 1965, p.4.
 - (2) See Robert B. McKersie, The British Board for Prices and Incomes, Industrial Relations, Vol.6, No.3, May 1967, p.282.
 - (3) See Leland Hazard, Wage Theory: A Management View, in George W. Taylor and Frank C. Pierson, editors, New Concepts in Wage Determination, McGraw-Hill, New York, 1957, pp.45-47.

powers over price and income increases being retained by the Government. Little is yet known, however, of how managers as a whole regard the policy now its novelty has disappeared. Do managers really know what the policy is attempting to do? Have they made any attempt to understand it? If they don't understand the policy, will they oppose it? What will managers do if they don't like a prices and incomes policy?

This study attempts to fill the gap in the knowledge about firstly management's attitude towards the policy and Britain's economic difficulties and, secondly, managers' comprehension of the policy and the economic situation. Some of the country's economic difficulties have been basically the same for years and it would be expected that managers would be familiar with such problems. To understand the setting for the research it is perhaps necessary to have a cursory glance at these problems which the Government felt had to be resolved and which management must help to tackle.

The Historical Setting of the Study

Shortly after the 1964 General Election the Labour Government, realising the economic dangers the country was facing, tried to awaken industry and the general public to the financial crisis.

"-We have got to get out of the red quickly. It is no use running away from the fact that we are heavily in debt to the rest of the world, and our first job must be to pay our way; - we have got to make sure that we do not get into this sort of mess again....."(1)

(1) Working for Prosperity: The National Plan in Brief, H.M.S.O., London, 1965, p.3.

The problem seems to lie in the fact that Britain has suffered from an inflation which is liable not only to endanger the real income of the individual citizen, but also the earning power of the country, thereby affecting the standard of living of the nation. This has been put rather succinctly by the Council of Prices, Productivity and Incomes:-⁽¹⁾

"The amount of goods and services available to us has been rising, taking one year with another, at the rate of about 6d in the £ each year; but year by year we have helped ourselves to more money income at the rate of 1/4d in the £; and prices have had to take up the excess 10d."

What is wrong with rising prices? Firstly, on Britain's capacity to offer foreign buyers good value for money hinges the dual aims of a rising standard of living and of maintaining full employment. Thus, if our goods were too expensive, a reduction in the level of exports would ensue, leading to unemployment and lower standards of living. The standard of living would continue to fall until we could compete with the lower priced goods in the export markets to enable us to purchase our necessary imports.

The National Plan⁽²⁾ pointed out that in the preceding decade the United Kingdom's share of world exports of manufactures had declined in value from 20% to 14%. Also wage costs per unit of output in manufacturing industries rose faster here than in the economies of several of our main competitors. In addition, it

(1) Council on Prices, Productivity and Incomes, Fourth Report, H.M.S.O., London, 1961, p.14.

(2) The National Plan, Cmnd.2764, H.M.S.O., London, 1965, p.65.

stated, several industrialised countries were pursuing, with varying degrees of success, policies designed to secure price stability and to keep money incomes in line with real output.⁽¹⁾ Therefore, to stop a further decline in our competitive position, the Plan declared that similar action was needed in the United Kingdom.

The second problem associated with rising prices is that investors are loath to place money where its value is being excessively reduced through the process of inflation.

Thirdly, persons living on a fixed income find its real value diminishing and are not in a position to remedy the position by claiming increments to their monetary incomes. Jack⁽²⁾ stated:-

"there is the recognition that in a period of inflation the wage-price spiral is frustrating to all wage-earners and most injurious to some....."

Beveridge⁽³⁾ held the same view:-

"Every time a group of employers and a group of working people agree to raise the wages to be paid for the same product they are doing some-

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- (1) See, for example, B.C. Roberts, National Wages Policy in War and Peace, Allen and Unwin, London, 1958 and F.W. Paish and Josselyn Hennessy, Policy for Incomes?, 3rd. Edition, Hobart Paper No.29, I.E.A., London, 1967, and T.L. Johnston, Collective Bargaining in Sweden, Allen and Unwin, London, 1962.
- (2) D.T. Jack, Is a Wages Policy Desirable and Practicable, Economic Journal, Vol.LXVII, No.268, pp.285-286.
- (3) Lord Beveridge, as reported in The Manchester Guardian, 23rd. October, 1953 - reported in Barbara Wootton, The Social Foundations of Wage Policy, Allen and Unwin, London, 1955, p.188.

thing to diminish the value of money, to make life harder for people living on pensions or on savings from the past....."

The factors holding Britain back have long been subjects of dispute⁽¹⁾ but in considering an incomes policy this research is more immediately interested in the problem of inflation. Britain has not found inflation simple to control.

Even restraint in wage increases at the centre by the Government, T.U.C. and Employers Federation cannot, of itself, stop inflation. Restraints on negotiated and fixed national rates cannot stop the employer raising the basic pay rate at the place of work by merit, long service and overtime payments in addition to easing existing incentive schemes. This phenomenon, known as wage drift, has had a considerable effect on the economies of many industrialised countries. The wage drift is believed to be caused not only by primary factors such as labour shortage and payment by results but also through secondary factors - the rectification of a wage structure distorted by primary drift.⁽²⁾ Both primary and secondary drift are, Phelps Brown has written, within management's power to control.⁽³⁾

(1) See, for example, Council on Prices, Productivity and Incomes, Fourth Report, H.M.S.O., London, 1961, pp.4-13., and Richard E. Caves et al, Britain's Economic Prospects, Allen and Unwin, London, 1968, pp.4-6.

(2) See E.H. Phelps Brown, Wage Drift, Economica, Vol.XXIX, No.116, November 1962, p.348, describing a study by Lars Aarvig, Inquiry on Wage Drift 1958-59, (Mimeographed Norsk Arbeits-giverforening, Oslo) 1961.

(3) Ibid., p.353.

Possible Ways to Deal with Inflation

But do management feel that control of inflation lies within their grasp? Do they feel that an incomes policy could help them to fight inflationary wage claims or would they prefer other policies, perhaps a policy to reduce the demand for labour? Would such a policy of unemployment affect growth and investment plans? Would such a policy be politically acceptable? Would indeed the apparent alternative, the limitation of free collective bargaining, be acceptable to management? To see how these policies would fit into the British economic and industrial scene it is perhaps relevant to consider the conceptual framework of policies of employment, prices, incomes and freedom in bargaining.

Free collective bargaining has been a long established institution of the labour market of the United Kingdom. Full employment has been a major goal of successive Governments since the war and now the objective of a rising real standard of living with more stable prices has become vital in Britain's attempt to shake off her recurrent economic difficulties. It has been said, however, that theoretically, at least, one can have any two of these desirable things but neither theoretically nor in practice is it possible to have all three. This three-cornered incompatibility has been referred to as "the uneasy triangle"⁽¹⁾. The Economist⁽²⁾ set out the problem:

(1) See The Economist, August 9th 1952, p.322.

(2) Ibid., pp.322-323.

"A community can have stability of prices and full employment if it can bring itself to do without free collective bargaining. A really effective control of wages would require an all-powerful central authority not only holding down aggregate wage increases to whatever sum was genuinely justified by real national productivity but also sorting out relative wages according to some sound objective standard....."

"Alternatively, full employment can be combined with free collective bargaining, but only by paying the penalty of an incessant upward spiral of costs and prices. Full employment means high bargaining power for the workers, high bargaining power means wage increases which, in greater or less degree outrun the growth of productivity; these high wages not only raise costs but, by swelling demand, pull up prices and generate high profits; high prices and profits whet employers' eagerness to obtain more labour; and so da capo....."

"Or, as a third possibility, an economy can have stability of the value of money and free collective bargaining if it is willing to sacrifice full employment. The central monetary authority, with its control over purchasing power and credit, can make it hopelessly unprofitable for employers in general to meet demands for higher wages.....the workers whom it does not pay to employ, to supply a market where there is not much money about, will simply remain out of work."

For a long time Britain had held fast to the aim of full employment and to the institution of free collective bargaining with the accompanying rise in prices and problems with the balance of trade. This is, of course, extremely dangerous for a country, such as Britain, depending so much on international trade for its livelihood.⁽¹⁾

(1) See B.C. Roberts, Centralised Wage Policy, Scottish Journal of Political Economy, Vol.V, No.2, June 1958, p.158.

Policies adopted by successive Governments to curb Inflation

Has the manager ever come into contact with the fruits of this theory? Has he had an opportunity to hear of or to experience different policies to curb the growth of prices?

To close the inflationary gap between the rise in incomes and productivity growth Turner⁽¹⁾ has said three basic policies are used:

- (i) Attempts to control demand by monetary and fiscal policies to reduce the amount of money available for returns to labour in the economy.⁽²⁾

The problem with this policy is that an overall withdrawal of money has an effect not only on consumption spending and employment but also on investment spending which can affect long term growth.

- (ii) Attempts to control or 'restrain' increases in wages and other costs.

In this case the hope is that the growth in production would catch up with the now restricted rise in incomes.

- (iii) Inducements to increase productivity either by more investment or by increases in efficiency.

This has been supported by the opposing advocates of the first and second policies.

(1) H.A. Turner, Employment Fluctuations, Productivity and Cost Inflation in Manufacturing Industry, International Labour Review, Vol.LXXXI, January-June 1960, p.379.

(2) Richard E. Caves et al, Britain's Economic Prospects, Allen and Unwin, London, 1968, found it difficult to distinguish between the effects of monetary and fiscal policy as both policies seemed to be used at the same time.

A suggestion is made that fiscal policy should be used as the main instrument for the attainment of domestic objectives and monetary policy to regulate the balance of payments.

As a result of her poor trading performance it would appear that Britain could no longer allow prices to be unstable. In the terms of "the uneasy triangle" either full employment or free collective bargaining would have to be abandoned as a major goal to allow the aim of stable prices to take its place. But, which one should be abandoned? Have the majority of views expressed favoured the retention of one objective or the other, convincing managers that one policy only is correct?

Arguments about the Policy to reduce Excess Demand and the Level of Employment.(1)

Paish⁽²⁾ has stated that every year between 1949 and 1964 in which the balance of payments on current account worsened, money incomes were rising much faster than the productive potential, the margin of unused resources was well below 6% and unemployment well below 2½%. The worst deficits in the balance of payments coincided with years of rapidly rising incomes and low unemployment. Wage drift, too, is believed to be related to employment, being at its worst in times of high demand for labour.⁽³⁾

Should then the policy of full employment be abandoned?

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- (1) As mentioned earlier the policy of encouraging productivity growth can be used alongside this policy as well as the objective of restraining wages.
 - (2) F.W. Paish and Josselyn Hennessy, Policy for Incomes?, Hobart Paper No.29, I.E.A., London, 1967, pp.42-43.
 - (3) E.H. Phelps Brown, Wage Drift, Economica, Vol.XXIX, No.116, November 1962, p.339.

The policy of full employment has been inherent in British social and economic policy since the experience of heavy unemployment in the 1930s. Keynesian⁽¹⁾ ideas for maintaining full employment were accepted by influential people including Lord Beveridge⁽²⁾ whose own book also urged full use of national resources, both of labour and capital. Indeed, in 1944 the Government accepted 'as one of their primary aims and responsibilities the maintenance of a high and stable level of employment'.⁽³⁾

Others have not been unduly worried if the level of unemployment did fluctuate. Roberts⁽⁴⁾ felt that as a result of monetary policy and fiscal policies employment would have to move up and down. Parkinson⁽⁵⁾ felt that the implications of even 3% unemployment should not be exaggerated, pointing out that a constant expansion of output associated with a greater stability of prices would be preferred even if some marginal workers had to seek new jobs. Paish,⁽⁶⁾ using Phillips' estimates of the level of unemployment, which is compatible with the rates of increase in production per head and wages being equal at about 2-2½%,⁽⁷⁾ believed that

(1) John Maynard Keynes, The General Theory of Employment, Interest and Money, MacMillan, London, 1936.

(2) William H. Beveridge, Full Employment in a Free Society, Allen and Unwin, London, 1944. Beveridge, however, suggests 'full employment' would be achieved if the unemployment level was 3% - a figure high by today's standards. He does, however, state that full employment is achieved only if there is an existence of more vacant jobs than unemployed men.

(3) Employment Policy, Cmd.6527, H.M.S.O., London, 1944.

(4) B.C. Roberts, National Wages Policy in War and Peace, Allen and Unwin, London, 1958, pp.165-166.

(5) J.R. Parkinson, Wage Stability and Employment, Scottish Journal of Political Economy, Vol.V, No.2, June 1958, p.98.

(6) F.W. Paish and Josselyn Hennessy, op.cit., pp.25-31.

(7) A.W. Phillips, The Relation between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957, Economica, Vol.XXV, No.100, November 1958. Phillips had assumed a level of productivity increase of 2% per annum. Paish adapted Phillips' estimates to take account of the unemployable and those not in the same area as job vacancies.

restriction of demand could be used and usefully supplemented, though not replaced, by an incomes policy. If, however, unemployment rose above $2\frac{1}{4}\%$ and wages were still rising too fast a further restriction of demand with the ensuing increased unemployment would have to be introduced.

Other writers have cast doubts on measures affecting demand, and therefore the level of unemployment, being able to curb rising wages. Robertson⁽¹⁾ asserted that if the unemployment was not general, while weakening claims in a certain industry initially, it would not be fully effective over the whole wage claim period since increases in other industries - unaffected by recent redundancies, would make way for the relative wage argument. Expressing the same opinion about the effectiveness of measures controlling demand, Corina⁽²⁾ gave evidence of several studies which suggest that trade unions' attitudes and influence greatly affect the rate of increase of wage rates, independently of the demand for labour. He also suggested that inflation could not be cured by a slight rise in unemployment,⁽³⁾ stating that the economy really needed a national policy on productivity, prices and incomes.

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- (1) D.J. Robertson, The Inadequacy of Recent Wage Policies in Britain, Scottish Journal of Political Economy, Vol.V, No.2, June 1958, p.104.
 - (2) John Corina, The Development of Incomes Policy, Institute of Personnel Management, London, 1966, pp.22-23 in making this point quotes also L.R. Klein and R.J. Ball, Some Econometrics of the Determination of Absolute Prices and Wages, Economic Journal, September 1959, and A.G. Hines, Trade Unions and Wage Inflation in the United Kingdom 1893-1961, Review of Economic Studies, October 1964.
 - (3) Ronald G. Bodkin, The Wage-Price-Productivity Nexus, University of Pennsylvania Press, Philadelphia, 1966, p.279, deduced that a rather large increase in unemployment must be incurred to induce a given decrement in the rate of increase in prices.

Corina's ideas amount to a mixture of the second and third types of policy mentioned by Turner. There are, however, problems with this type of policy.

Arguments about Policies of Income Restraint affecting the Principle of Free Collective Bargaining

The first problem with income restraint is that it is not at all easy to obtain the correct machinery to operate the policy. Even yet the policy is seen as being experimental.⁽¹⁾

There is also evidence that such a policy can lead to greater industrial conflict as firm lines could result in pay disputes. Another point to be considered is whether or not the attitude in the country is right for an incomes policy. Mr. MacMillan, then Prime Minister, recognised this in the House of Commons while introducing the National Incomes Commission:-

".....to reconcile an incomes policy in a free society means digging right down into the roots of our philosophy.....in our free society an incomes policy cannot be imposed. It can only come from acceptance."⁽²⁾

The "digging right down into the roots of our philosophy" would appear to raise the fourth problem involved in the introduction of an incomes policy - the fact that such a policy restricts freedom by threatening the collective bargaining system

(1) See John Corina, Can an Incomes Policy be Administered?, British Journal of Industrial Relations, Vol.V, No.3, November 1967, p.309.

(2) Mr. MacMillan as reported in The Times, 27th July, 1962.

and the arbitration courts.

Collective bargaining, as Corina⁽¹⁾ has stated, is still the underlying principle of the system of wage determination in Britain. Yet, as Corina pointed out, it is becoming increasingly recognised that traditional wage bargaining, conducted in a disjointed and isolated fashion, too frequently leads through its effect on the domestic and export price levels to a fundamental conflict of economic interest between the bargainers and the community.⁽²⁾ Many other authors share this view. Guillebaud⁽³⁾ wrote that both employers and unions should remember that at the conference table there is a vacant place which could be described as 'the Public Interest'. Cairncross⁽⁴⁾ felt that "it is the silent third party, the consumer, the man with the fixed income or little bargaining power who is the victim of these negotiations from which he is debarred". Flanders⁽⁵⁾ made exactly the same point:

"The parties to collective bargaining can, and often do, decide their policy without regard to any broader interest than their own; and, if they wanted to, they are in no position to take fully into account interests unrepresented at the bargaining table."

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- (1) John Corina, The Labour Market, Institute of Personnel Management, London, 1966.
 - (2) Ibid., p.6.
 - (3) C.W. Guillebaud, Wage Determination and Wages Policy, Second Edition, Nisbet, Welwyn, 1967, p.75.
 - (4) A.K. Cairncross, Wage Policy and Inflation, Scottish Journal of Political Economy, Vol.V, No.2, June 1958, p.84.
 - (5) Allan Flanders, Can Britain have a Wage Policy?, Scottish Journal of Political Economy, Vol.V, No.2, June 1958, p.114.

Not everyone, however, agrees with this. Jensen,⁽¹⁾ for example, thought that there was no satisfactory substitute for collective bargaining if freedom of private decision making in the labour sector was wanted. He went on to state that if the Government entered into pay negotiations the three party process would be unable to function.

The question of freedom is important but Oberer⁽²⁾ believed that freedom can be attained only under law⁽³⁾ and quoted Rutledge⁽⁴⁾ to illustrate his point:

"I believe in law. At the same time I believe in freedom. And I know that each of these things may destroy the other. But I know too that, without both, neither can long endure."

Oberer⁽⁵⁾ concluded, in a bizarre fashion, that he did not like to leave "the cream of public interest in the sole charge of

- (1) Vernon H. Jensen, The Process of Collective Bargaining and the Question of its Obsolescence, Industrial and Labor Relations Review, Vol.16, No.4, July 1963, p.546.
- (2) Walter E. Oberer, Freedom and Public Policy; The Rule of Law and a 'Court of Economics' for Price-Wage Problems, Industrial and Labor Relations Review, Vol.16, No.4, July 1963, p.539.
- (3) This would at first appear to advocate a departure from normal British practice. K.W. Wedderburn, The Worker and the Law, Penguin, Middlesex, 1965, p.9, stated that "most workers want nothing more of the law than that it should leave them alone" - his book, however, reveals how far reaching is British Labour law.
- (4) Wiley Rutledge, A Declaration of Legal Faith, (Lawrence, Kansas; University of Kansas, 1947), p.6.
- (5) Oberer, op.cit., p.544.

labour and managements cats." What he felt was needed was "a third cat, a kind of 'public watchdog cat' to skim off the consumers' share of the cream".

Wootton,⁽¹⁾ believing that it was fantastic that, in 1955, such a vital issue as wages had found no place in political discussion, felt that this third party should be nominated in the political arena and perhaps should take control over the wage determination process.

If there were to be a change a problem would exist about which form the new process of wage determination would take. Flanders⁽²⁾ assessed the problem accurately a few years ago when he posed a series of questions about the future of collective bargaining:

"What happens to collective bargaining is going to depend on economic and political developments at present quite obscure. How long, for example, will something like full employment be maintained? How drastic will be the measures required before we can fully restore our national solvency?"⁽³⁾

It would appear that both policies of reduction of demand and incomes restraint have their advocates. In addition both

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- (1) Barbara Wootton, The Social Foundations of Wage Policy, Allen and Unwin, London, 1955, p.166.
 - (2) Allan Flanders and H.A. Clegg, editors, The System of Industrial Relations in Great Britain, Blackwell, Oxford, 1963, p.315.
 - (3) Allan Flanders, Collective Bargaining: Prescription for Change, Faber and Faber, London, 1967, pp.34-35, argued later that only one aspect of the voluntary principle had to go. Collective bargaining would still be used to determine wages. A voluntary (non-legislative) system of bargaining should be retained. What should go is the preference of the bargaining parties for complete autonomy in their relations.

types of policy have been used by post-war Governments, so managers even if they had not heard the arguments for each type of policy would at least have had a taste of the various policies which have been tried, particularly policies using fiscal and monetary restraints and prices and incomes restraints.

During the 1950s mainly fiscal and monetary policies were used in an attempt to try to keep stable prices while balancing rising real wages with productivity increases. These policies, however, produced a poor strategy for growth.⁽¹⁾ At the beginning of the 1960s (1962) the Conservative Government sought to tackle rising incomes by the mechanism of the National Incomes Commission. Income restraint was continued and expanded by the incoming Labour Administration in 1964. The National Plan, incorporating the prices and incomes policy, was introduced in an attempt to prevent the 'stop-go' cycle which had become familiar to the British scene.

The present Government seems to have come to a similar conclusion to Fogarty,⁽²⁾ in the short term at least, namely that any successful policy to keep prices stable by relating pay to national production is likely to be many-sided, drawing on the strong points of one to offset the weaknesses of another. This can still lead to problems. Turner⁽³⁾ illustrated the recent un-

(1) See J.C.R. Dow, The Management of the British Economy, 1945-60, Cambridge University Press, 1964.

(2) Michael Fogarty, The Just Wage, Chapman, London, 1961, p.232.

(3) H.A. Turner, The Progress and Poverty of Incomes Policy, Progress, Vol.52, No.292, 2/1967, Unilever, 1967, p.36.

desired effects from the simultaneous use of policies to cut demand and to restrain prices and incomes.

It may well be that the gradual growth of the policies of price and incomes restraint⁽¹⁾ may mean a curtailment of 'free' collective bargaining in Britain, especially if an incomes policy, concerned with the balance of trade and social justice,⁽²⁾ is advocated and accepted by many as a permanent institution.⁽³⁾ The implementation of such a policy will, of course, depend partly upon the co-operation of management.⁽⁴⁾

The Structure of the Dissertation

Having briefly surveyed the setting of the incomes policy and some of the problems connected with its implementation the structure of the dissertation can now be seen in its context.

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- (1) For the gradual growth of incomes policy in the United Kingdom, see E.H. Phelps Brown, Guidelines for Growth and for Incomes in the United Kingdom: Some Possible Lessons for the United States, in George P. Schultz and Robert Z. Aliber, editors, Guidelines, Informal Controls and the Market Place, University of Chicago Press, 1966, pp.143-163.
 - (2) For suggestions about the use of an incomes policy, see John Hughes and Kenneth Alexander, A Plan for Incomes, Fabian Research Series 247, Fabian Society, 1965.
 - (3) There is, however, plenty of opposition to the use of an incomes policy. At the T.U.C. Conference in 1968, 7,746,000 to 1,022,000 voted in favour of the repeal of the Prices and Incomes Act and "full" support for the T.U.C.'s voluntary proposals scraped through only by 4,266,000 votes to 4,232,000. Even the Labour Party Conference in 1968 voted 5,098,000 to 1,124,000 in favour of repealing the Prices and Incomes Act and of rejecting any further legislation to control basic Trade Union rights.
 - (4) The criteria for incomes rises, machinery of the policy and powers laid down by the present prices and incomes legislation will be described in appendices which reference is made to in Chapter 3.

Basically the dissertation is concerned with discovering what a sample of managers at the beginning of 1968 knew about the prices and incomes policy and what opinions they held about certain aspects of the policy.

This chapter deals with the background of the research. In the next chapter the method of enquiry and the sample will be discussed. The remainder of the report is concerned with the findings of the survey.

Chapter 3 assesses the respondents' comprehension on specific questions concerned with the incomes policy and Britain's economic problems. In Chapter 4 an attempt is made to build up a picture of the understanding shown by the individual manager. This assessment of a manager's comprehension is compared in following chapters with the opinions he expressed about the policy.

The next three chapters seek to discover the managers' attitudes towards the prices and incomes policy. Chapter 5 considers the managers' opinions on the uses and desirability of the prices and incomes policy while Chapter 6 looks at the way their firms obeyed the policy in the past. Chapter 7 is concerned with the managers' opinions on compulsory powers and the role of the Government in the determination of prices and incomes.

The next five chapters consider the respondents' views on

pay increases and relative income levels. Chapter 8 examines the managers' opinions on two traditional criteria for income increases which have been condemned by the Government. Chapter 9 looks at one facet of the 'social justice' aspect of the policy and reviews the respondents' feelings on lower paid workers and a national minimum wage. The managers' views on another facet of social justice are investigated in Chapter 10 where an assessment is made of the choices of groups they felt most or least deserved a pay increase. Chapter 11 deals with the criteria the managers believed were used to determine pay and those they would like to see determine incomes, while in Chapter 12 the prospects of a national system to determine incomes on a more equitable basis are discussed.

The general conclusions are presented in the final chapter.

The Sample

The difficulty of obtaining an industrial sample

Certain problems exist in obtaining a representative sample of industrial managers which do not exist in selecting a random sample from the general public. In the latter case random selection from the Register of Electors can give a good cross-section of the population. In the industrial setting, however, certain types of industry are more prominent, in labour or capital exp-

CHAPTER 2

THE METHOD OF ENQUIRY

As a guide to managers' views on the Government's incomes policy it was decided to conduct a survey of Scottish managers employed in a variety of industries. This would enable an insight to be obtained into the opinions of managers involved in a cross-section of trades rather than merely discovering the feelings of one particular industry. Previous experience with a questionnaire which had been given to managers in some 22 firms indicated that response rates might have been poor if this method had been used for the survey, and accordingly it was decided to obtain data by the use of interviews. As these interviews would be lengthy it was decided that 250 interviews would be a reasonable goal.

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loyed terms, than others; some firms are larger than others; some managers are more important than others; some firms will not allow the researcher access to their employees. Choosing a selection of firms to enable a representative view of industry to be obtained has been attempted many times in past researches. Some, such as Isabel Blain,⁽¹⁾ to ensure entry into firms selected for the study have been unable to claim a representative sample by only choosing firms felt to be interested in the research project.

Others have restricted their choice by only considering firms over a certain size. Thus, the Acton Society Trust⁽²⁾ in their survey on management succession dealt purely with organisations in manufacturing industry employing more than 10,000 persons. The National Institute of Industrial Psychology⁽³⁾ using a similar method contacted all manufacturing establishments in the country employing over 250 people. These studies were, however, much larger enquiries than could be handled by a single research worker.

One method of confining the work to manageable size has been to consider only a limited number of industries. Barna,⁽⁴⁾ for

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- (1) Isabel Blain, Structure in Management, National Institute of Psychology, Report No.17, London, 1964.
 - (2) Acton Society Trust, Management Succession, Acton Society Trust, London, 1956.
 - (3) National Institute of Industrial Psychology, Joint Consultation in British Industry, Staples Press, London, 1952.
 - (4) Tibor Barna, Investment and Growth Policies in British Industrial Firms, N.I.E.S.R., Occasional Papers XX, Cambridge University Press, 1962.

instance, in a study into investment and growth policies decided to look at only two industries by choosing one growth industry and one more stable industry. A similar approach was used by a P.E.P. group⁽¹⁾ looking at attitudes in British management. This group selected six industries representative of "old and new industries, science-based and non science-based industries, contracting and expanding industries, capital and consumer good industries, localised and non localised industries, and American-influenced and wholly British industries".⁽²⁾

A different method of confining the work to a manageable proportion has been to restrict the study to certain regions in Britain. Thus Clements⁽³⁾ looked at private manufacturing in Manchester and the surrounding Employment Exchange areas, but made no attempt to make the sample statistically representative. He covered mainly the textile and engineering industries, other industries were represented but not to any great extent. Very few really small firms were included. Woodward⁽⁴⁾ contacted

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- (1) P.E.P., Thrusters and Sleepers, George Allen and Unwin, London, 1965. Also published as P.E.P., Attitudes in British Management, Penguin, Middlesex, 1966.
 - (2) Ibid., p.16.
 - (3) R.V. Clements, Managers. A study of their careers in Industry, George Allen and Unwin, London, 1958.
 - (4) Joan Woodward, Industrial Organisation: Theory and Practice, Oxford University Press, 1965.

(1) Ibid., p.7.

(2) Manchester Joint Research Council, Industry and Science, Manchester University Press, 1954.

firms in South-East Essex which were "classified into one of the fourteen categories listed under the heading of 'all manufacturing industries' in the statistics prepared by the Ministry of Labour".⁽¹⁾ A list as comprehensive as possible, of 203 firms in the area was drawn up and Woodward felt that all sizeable firms were included though some smaller firms might have been missed. Another regionally based survey was that of the Manchester Joint Research Council.⁽²⁾ This study also considered manufacturing industry only omitting agriculture, the extractive, construction and clothing industries and the service trade and professions. The industries chosen were grouped into four classes: (a) textiles, (b) engineering, (c) modern and (d) miscellaneous industries. To make sure firms of different sizes were fairly evenly represented the selection of firms was made on a random basis with one exception. This was that firms with fewer than fifty employees were omitted on the grounds that whatever aspects of interest they might have would be gathered from discussions with the slightly larger firms. A stratified sample (with orders from the Standard Industrial Classification as strata) was then drawn based on the number of establishments in each strata.

The regional multi-stage approach appeared to be the most suitable for this study. This method was, therefore, adopted and efforts were made to eliminate some of the weaknesses of the research methods quoted above to construct a sample representative

(1) Ibid., p.7.

(2) Manchester Joint Research Council, Industry and Science, Manchester University Press, 1954.

of industry as a whole.

In the present study an attempt has been made to use a procedure which would provide as representative a sample of managers in different types of industry and all sizes of firms as could be achieved within the constraints laid down by cost and a one-man research unit.

Design of the sample

A four stage sampling procedure was used to obtain respondents representative of industrial managers employed in different sizes of firms.

This consisted of, firstly choosing the geographical boundaries of the study, secondly selecting a variety of industries, thirdly obtaining a cross-section of firms of different size and, fourthly determining the type of manager to be interviewed within each firm.

Stage 1 : The Choice of Geographical Region

The research was to be located in "Central Scotland". This was defined as Edinburgh, Glasgow, Fife and the Lothians which was an area within an approximate 50 mile radius from Edinburgh. Stirlingshire had been used for preliminary pilot interviews and was, accordingly, omitted.

(1) Central Statistical Office, *Standard Industrial Classification*, H.S.G., London, 1958.

(2) Board of Trade, *The Survey of the Census of Production 1955*, H.S.G., London, 1956-57.

Stage 2 : The Choice of Industries

In the context of incomes policy the experience of managers in certain industries is more relevant than others. Thus various headings from the Industrial Classification⁽¹⁾ were omitted from the survey. 'Agriculture, Forestry and Fishing', 'Insurance, Banking and Finance', 'Professional and Scientific Services', 'Miscellaneous Services', 'Public Administration and Defence', and 'Distributive Trades' were omitted in an attempt to produce a homogeneous sample based on the manufacturing side of industry. 'Gas, Electricity and Water', 'Transport and Communication' and 'Mining' were largely nationalised concerns and it was felt it would be inappropriate to question managers in these industries on aspects of the Government's policy. Finally it was decided to omit 'Quarrying' and 'Construction' to enable the survey to be concerned purely with managers who had a background of the factory shop-floor as opposed to open-air sites.

The manufacturing industries were then divided into groups to enable the sample to be a reasonably representative cross-section of Orders III - XVI in the Standard Industrial Classification. Using the Census of Production for 1958⁽²⁾ all Minimum List Headings were allocated to one of three groups - Food Products, Consumer Goods (ie. for the private consumer) and Producer Goods (ie. for industrial consumption). The first section was relatively

(1) Central Statistical Office, Standard Industrial Classification, H.M.S.O., London, 1958.

(2) Board of Trade, The Report on the Census of Production for 1958, H.M.S.O., London, 1960-61.

simple to compile as all Minimum List Headings came from Order III of the Census of Production. Each Minimum List Heading in Orders IV - XVI was allocated to either the Consumer or Producer category on the basis of the value of its products. If the greater value of the Minimum List Heading's sales of principal products went for private or for industrial consumption then the entire Minimum List Heading was classed as belonging to that sector which used most, in terms of value, of the Minimum List Heading's products.

In most cases Minimum List Headings apart from food products fell quite clearly into either the Consumer or Producer Product categories.⁽¹⁾ The weighting of each of the three categories then had to be decided. As the research was concerned with the attitudes of managers whose acceptance or rejection of the incomes policy affected their employees it seemed appropriate to weight the three categories by the number of employees involved in the production of the three types of products. The figures for employment in each Minimum List Heading were found in the Census of Production⁽²⁾ and the following result obtained. (Table 2.1)

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- (1) The values of the products of each Minimum List Heading were obtained from Table IV in each relevant part of the Census of Production for 1958. These tables gave the sales of the principal products of the industry by larger firms, including sales by establishments classified in other industries. (All these firms employed twenty-five or more people.)
 - (2) The figures for the employment in each industry were taken from Table III in each relevant part of the Census of Production 1958. Table III gave an analysis by size of enterprises within each industry and also the employment figures for firms employing more than twenty-five people. Table I which gave the total employment in each industry for all firms was not used, firstly as very small firms (1-10 employees) were not considered in the survey and, secondly to base the figures of value of products and employment on the same size of firms.

Table 2.1 - Weighting of Product Sales Areas

	Food Products	Consumer Products	Producer Products	Total
Employees	670,000	1,237,473	5,156,818	7,064,797
Percentage of Total Employees	9.5	17.5	73.0	100
Weighting Factor	1	2	7	10

On the basis of these weighting factors five, ten and thirty-five Minimum List Headings were selected by the use of random number tables from the Food, Consumer and Producer products categories respectively.

Stage 3 : The Selection of the Firms

The Scottish Council (Development and Industry) was approached to supply the names, addresses and employment figures of all firms within the chosen geographical area⁽¹⁾ who supported the Council and were categorised in one of the selected fifty Minimum List Headings. In this way the names of 282 firms were obtained. The employment figures of these firms were then used to enable the sample of firms to be selected on the basis of size. This was necessary in order to give a cross-section of Large (1000+ employees), Medium (100-999 employees) and Small (11-99 employees) Firms.⁽²⁾ The weighting of each of the three sizes of firm cate-

(1) The Scottish Council's own area classification of the selected area was used.

(2) Medium sized firms were later sub-divided into two groups of (a) 250-999 employees (Larger Medium Firms) and (b) 100-249 employees (Smaller Medium Firms). This was done, however, only as a guide to analysis and had no bearing on the stratification.

gories is shown below.

Table 2.2 - Weighting of the Size of Firms

Number of Employees	Large (1000+) Employees	Medium (100-999) Employees	Small (11-99) Employees	Total
Number of Firms obtained from Scottish Council	17	90	175	282
Weighting Factor	1	5	10	16

Stage 4 : The Choice of Respondents

It had been decided to interview only the more senior managers in each firm as presumably these would be the managers more concerned with applying the prices and incomes policy within their firm.

A senior manager was defined as an executive director, a general manager, a works manager or his assistants and functional managers who could influence developments (thought not necessarily in the incomes area) within their own specialisms.⁽¹⁾

If more than the required number of executives were available it was intended to interview the most senior men and to choose among the other managers of equal status on the basis of their

(1) The managers were divided, on occasion, for analysis purposes into top management (those who influenced the external policy of the firm) and middle management (those who influenced only factors within their own functional area).

functions to obtain a cross-section of viewpoints within the firm.⁽¹⁾ If fewer than the required number of senior managers were available only the senior men were to be interviewed. No interviewing of any lower strata of management was to be attempted.

Having decided upon the type of manager to be interviewed the next stage was to decide upon how many of these senior managers would be interviewed in each size of firm.

It was felt that as each interview would last for about one hour six interviews would be the maximum number which could be obtained in any one day. Since experience had shown that senior management appreciated all interviews being completed in one day, especially if the interviews did not seem to enable the firm to receive any tangible benefit, it was felt that six interviews should be the maximum number in any firm. This would enable a cross-section of a firm's senior management to be interviewed and also increased the prospects of co-operation by disturbing the firm as little as possible. It was decided to obtain the same number of interviews in large and medium sized firms. Few of the large firms had many over one thousand employees and a number of the medium sized firms employed just under one thousand persons so to distinguish between firms of these sizes would have been somewhat arbitrary. At the other end of the scale, medium sized firms of

(1) For example, if two interviews had still to be obtained and three managers of equal rank were available for interview, two being concerned with the sales side of the business and the other with production, the production manager and only one of the managers concerned with the sales side would be interviewed.

just over one hundred employees would normally have fewer than six senior managers so it was felt that the adjustment of numbers at this end of the scale would occur due to the lack of suitable candidates for interview.

Figures giving the number of employees in manufacturing industries⁽¹⁾ at June 1961 showed that out of a total of 8,178,000 employees, 1,642,000 come from small firms (11-99 employees) while 6,536,000 employees come from large and medium firms (100-1,000+ employees). These figures show that one man in every five is employed by a smaller firm with a staff of ninety-nine or less persons. Given that six managers were to be interviewed in the larger firms it appeared that two managers⁽²⁾ would have to be interviewed in the smaller firms. From the pilot interviews, however, it had been found that the smaller firms were more reluctant to admit the researcher and often one manager effectively controlled all the functions in the small firm. To compensate for such shortfalls three senior managers in small firms were to be interviewed wherever possible.

The 282 firms, regardless of their Minimum List Headings, were placed into Large, Medium and Small Firm categories. To meet the objective of 250 interviews it was found that about 64 firms would have to be visited. If all of the firms co-operated and

(1) Ministry of Labour Gazette, Vol.LXX, No.4, April 1962, p.145.

(2) 1.5 managers to be strictly accurate!

all the interviews required were obtained 264 interviews would be undertaken. This was due to the constraint of the size of firm necessitating requests for co-operation being sent to batches of 16 firms and also the constraint of the number of interviews in each firm which meant that a maximum of 66 interviews would be undertaken in each batch of 16 firms. (Table 2.3) To obtain 250 interviews four batches of sixteen requests for co-operation would have to be sent.

Table 2.3 - The Effect of the Constraints of
Size and Number of Interviews in
each Size of Firm

Size of Firm	Col.1 Size weighting factor (Table 2.2)	Col.2 Number of interviews per firm	Maximum number of interviews possible in every 16 firms Col.(1)xCol.(2)
Large	1	6	6
Medium	5	6	30
Small	10	3	30
Total	16	-	66

Using the names supplied by the Scottish Council every firm in each of the size categories was allotted a number and four, twenty and forty firms drawn by use of random number tables from the large, medium and small firm categories respectively. Since the firms in the three size categories belonged to fifty Minimum List Headings a random cross-section of these industries was obtained simultaneously.

(1) See Appendix 1.

(2) See Appendix 1.

The Sample Obtained

Each firm was contacted by letter⁽¹⁾ and if no reply was received within three weeks a reminder was sent.⁽²⁾ If still no reply was obtained the firm was considered to have refused to co-operate in the survey. Eventually some 208 firms were sent requests for co-operation and 85 firms were visited (a response rate of 40.9%) before the required number of interviews was obtained. These requests were sent out in batches of sixteen, one to a large firm, five to medium sized firms and ten to small firms. No problems were encountered with the first stage which was concerned with the geographical location of the firms of the sampling procedure. Of the 85 firms eventually visited, 46 were in Glasgow, 22 in Edinburgh, 12 in Fife and 5 in East or West Lothian. The second sampling stage had given a cross-section of manufacturing industry. Table 2.4 shows that the number of firms visited in each product group corresponds closely with the employment in each of these groups.

Table 2.4 - Breakdown of Firms visited, analysed in
Terms of Product Group

	Food Products	Consumer Products	Producer Products	Total
Percentage employment in each category (Table 2.1)	9.5	17.5	73.0	100
Number of firms visited	8	14	63	85
Percentage of firms visited	9.4	16.4	74.1	100

(1) See Appendix 1.

(2) See Appendix 2.

The more detailed breakdown in Appendix 3 showed, however, that the number of firms selected from each Minimum List Heading were not the same. Just under one third of the firms visited were classed under one Minimum List Heading - 489, "Other Printing, Publishing, Bookbinding, Engraving, etc."

At first, the explanation for this appeared to be that only one-fifth of the interviews had not been conducted in one of Scotland's two major cities and according to Florence⁽¹⁾ the larger cities tend to specialise in publishing and printing books and periodicals. Professor Florence had earlier⁽²⁾ given the location co-efficient⁽³⁾ for publishing to be 0.70 which was only surpassed by nine other industries out of 131 with only two equalling the co-efficient for publishing. This indicates that the publishing industry is concentrated in certain areas of the country - one of which as can be seen from the Department of Employment and Productivity statistics - seems to be central Scotland.

These figures⁽⁴⁾ indicated that while the national percentage of employees employed in Minimum List Heading 489 "Other Printing,

(1) P. Sargent Florence, Economics and Sociology of Industry, C.A. Watts, London, 1964, pp.64-65.

(2) P. Sargent Florence, Post-war Investment, Location, and Size of Plant, N.I.E.S.R., Occasional Paper XIX, Cambridge University Press, 1962, pp.38-43.

(3) For definition, see P. Sargent Florence, assisted by W. Baldamus, Investment, Location, and Size of Plant, N.I.E.S.R., Economic and Social Studies VII, Cambridge University Press, 1948, p.34.

(4) See Appendix 4.

Publishing, Engraving, etc." is 1.1%, Glasgow has 1.6% and Edinburgh 2.2% of its labour force employed in this Minimum List Heading, giving what Florence would term location quotients⁽¹⁾ of this Minimum List Heading for the two cities of 1.5 and 2.0 respectively. The sample, however, was not drawn from all industries. Indeed, employees in manufacturing industries (Orders III-XVI) from which the sample was taken comprised only 26.4% and 35.9% of the total number employed in Edinburgh and Glasgow respectively. Of the labour force employed in manufacturing industries 17.7% in Edinburgh and 9.7% in Glasgow worked in firms classified into Order XV, "Paper, Printing and Publishing".⁽²⁾

If printing and publishing firms were represented proportionately among the supporters of the Scottish Council it would be expected that a good proportion of the sample would be drawn from Order XV. Yet it would appear that printing and publishing firms were over-represented, 31.9% of the 282 firms whose names were supplied by the Scottish Council were classified into Order XV and most of these firms came from Minimum List Heading 489. This, it would seem, caused the bias in the sample.

Table 2.5 (Column 2) shows that in the third stage of the sample design (the selection of firms on the basis of size), there was a slight oversampling of medium sized firms but on the whole

(1) P. Sargent Florence, The Logic of British and American Industry, Routledge and Kegan Paul, London, 1953, p.37.

(2) See Appendix 4.

the proportion of firms in each size grouping visited was almost the same as planned.⁽¹⁾ Since several firms refused co-operation additional batches of requests were sent which culminated in 85 firms being visited and 270 interviews being obtained.

Table 2.5 - Response Rates to Requests for Co-operation.
Analysis in Terms of Size of Firm

Size of Firm	Col.(1) Number of firms approached	Col.(2) Number of firms visited	Col.(3) Response Rate	Col.(4) Number of interviews obtained	Col.(5) Average number of interviews obtained per visit
Large	13	5	38.5	24	4.8
Medium	65	31	47.7	133	4.3
Small	130	49	37.7	113	2.3
Total	208	85	40.9	270	3.2

In Stage 4 the small firms' managers were over-sampled as more managers were available for interview than had been expected.⁽²⁾ In terms of employees in small firms compared to larger firms, interviews in small firms should have been only one fifth of the total⁽³⁾ yet the final outcome revealed that twice the necessary

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- (1) The weighting factors for size were one large firm, five medium firms and ten small firms in every sixteen firms selected.
- (2) The assumption that the smaller medium sized firms would not have six senior managers available for interview did appear to be correct. While 4.3 interviews were obtained in each medium firm, in 15 visits to firms with 250-999 employees 79 interviews were obtained, a response rate per firm of 5.3 interviews, and 16 visits to firms employing 100-249 persons produced only 54 interviews - a response rate of 3.4 per firm. See Appendix 5 for the number of interviews in each type of firm.
- (3) See Ministry of Labour Gazette, Vol.LXX, No.4, April 1962, p.145.

number of interviews in small firms had been obtained.

To sum up, the sample obtained was not quite as representative as had been hoped but this is probably inevitable when sampling from industry on a small scale. In relation to some of the surveys mentioned previously, however, the sample compares favourably. There are, however, four shortcomings which must be remembered when evaluating the results.

- (1) A selective factor occurs in the sample as the research was dependent upon the co-operation of firms to allow interviews to take place.(1)
- (2) Small firms are over-represented in the total sample.
- (3) The sample is heavily weighted by managers in the publishing industry.
- (4) This survey is more representative of Central Scotland than Britain as a whole though a guide may be given to the attitudes prevalent among senior management in Britain.

The Interview Schedule

The sampling procedure had been devised when the interview schedule was almost ready for use. The development of the schedule⁽²⁾ proceeded over a long period. The schedule was drafted

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- (1) It could well be managers in the firms who refused to co-operate (59.1 of those contacted) may have had views different from those of the managers willing to co-operate. Another selective factor was introduced by the selection only of firms who were supporters of the Scottish Council. The Council had been chosen after difficulties had arisen in obtaining the names of a sufficiently large number of firms from which to sample.
 - (2) The interview schedule is reproduced in Appendix 6.

after the results of two other interview schedules concerned with refining the area of research had been considered and a questionnaire dealing with the wage-freeze had been completed by over 100 managers. These preliminary surveys had taken place in Stirlingshire and the trial drafts of the schedule used for this research was also tested in that county. Just over one hundred pilot interviews were undertaken to test the usefulness of various questions and the order in which they should be asked to allow the interview to flow smoothly.

The questions were a mixture of many types. Eight of the questions were open-ended to allow the respondent to express his views freely on the subject. Another 26 of the questions were open-ended probes into reasons for choosing a particular answer. For example, if the respondent had replied "yes" to a certain question he was asked why he gave this reply and if he had originally given a negative answer he was asked "why not?". Four questions gave the managers a limited choice of answers. To assist the respondent where there were limited choices for his answer (and on one occasion where the question was rather complex) he was given a card on which were printed both the question and the limited choice of answers.

After three preliminary questions on information received about the prices and incomes policy the questions probed the level

of a manager's comprehension of the Government's economic objectives and its incomes policy.⁽¹⁾ After this the manager's opinions on the desirability of the policy and compulsory powers were obtained. Next, the manager's views on the criteria for pay increases laid down by the Government were sought and then their own ideas on the most useful criteria were obtained. Finally, the manager was asked whether he felt the policy was successful and what form he believed the policy should take in the future. At the end of the interview information was obtained about the manager's firm, work experience, age and education.

Processing and Checking of Data obtained

The interviewing was conducted between mid-February and the end of May 1968. The answers were then classified into meaningful groups of similar replies. To do this one hundred questionnaires were selected by the use of random numbers and the answers to each question were examined in order to determine the grouping of similar answers. Once the answers for any one question had been categorised a coding scheme was drawn up from the categories into which most replies had fallen. This coding scheme was then used to allot codes to answers to the particular question from all the questionnaires. The data were copied onto specially prepared transfer sheets and were transferred from these sheets to punch

(1) The respondent's answer to each of these questions was graded into one of four groups based on the understanding shown in his reply. These groups were: Group A - good answers; Group B - adequate answers; Group C - vague answers; Group D - poor answers.

cards. Checking procedures were undertaken at three stages. Firstly to check that the correct codes had been allotted to the answers in each questionnaire the codes in ten per cent of the questionnaires, beginning from a random starting point, were re-examined. In the event of a mistake being found two questionnaires on either side were checked to see if there had been a continuation of any one error. The same procedure was adopted when the codes were copied from the questionnaire on to the transfer sheets.

A third check was made to reveal any mistakes made by the girls punching the codes. Answers had been recorded in such a way that if the total number of answers to any question was not 270 a count had already been made of the managers who had given a long answer which covered more than one answer classification. The number of categories into which each of these long answers had fallen was noted and the expected total number of answers to each question was compared with the total given by the punch cards. The total number of errors discovered was extremely small. Once the checking procedures had been completed tables were constructed showing the distribution of answers to the various questions and the analysis of the results began.

In this exploratory survey no attempt will be made to produce correlations since firstly, the sample is not random, and thus on the advice of several statistical authorities, no statistical significance tests have been used as it would be spurious to attribute to the findings of the survey an authenticity

which they did not possess. Secondly, a correlation, even if significant, is not necessarily a definitive definition that the explanation given is correct; many other factors may have to be taken into account.⁽¹⁾

In this thesis some tentative hypotheses will be formulated on the basis of the evidence provided by the survey. Fresh primary data drawn from a more random and representative sample would be necessary to give the researcher the opportunity of improving upon or rejecting these ideas.

Managers' Comprehension of the Objectives of the Income Policy

The first of the questions testing the managers' understanding of the policy was:

"In the light of what you have read or heard, what would you say are the objectives of the Government's price and income policy?"⁽¹⁾

Surprisingly, more than half of the respondents (51.4%) could not give a precise description of the objectives of the Government's policy.⁽²⁾ Indeed Table 3.1 reveals that almost one manager in

(1) The objectives were given by the National Plan.
 "Planning for economic growth requires policies for price stability and for the orderly growth of money incomes. An attack on the problem of costs is one of the essential measures if our competitive position is to be improved, and the balance of payments strengthened. . . . Price stability requires that the growth of money incomes should keep in line with the growth of real output. . . ."

(1) See also W.G. Runciman, Relative Deprivation and Social Justice, Routledge and Kegan Paul, London, 1966, pp.7-8.

CHAPTER 3THE RESPONDENTS' COMPREHENSION OF THE INCOMES POLICY
AND OF THE ECONOMIC PROBLEMS FACING BRITAIN

The purpose of this chapter is to discuss the respondents' understanding of the incomes policy and its economic setting. To this end the managers were asked questions on the objectives of the policy, inflation, devaluation, criteria for income increases, the machinery of the prices and incomes policy, the Government's reserve powers and the penalties for disobeying the policy.

Respondents' Comprehension of the Objectives of the Incomes Policy

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The National Plan, Cmd.2764, H.M.S.O., London, 1965, p.65.

See Appendix 7 for the distribution of answers to this question.

(2) After answering each of the comprehension questions the managers were asked "Do you know anything else?" until they replied in the negative.

Table 3.1

Classification of respondents in terms of the degree of comprehension shown in answer to the question: "In the light of what you have read or heard, what would you say are the objectives of the Government's prices and incomes policy?"-----

Respondents classified by the degree of comprehension shown in their answers	No. of Respondents	Percentage of respondents %
<u>Group A - Good Answers</u> Respondents who displayed a clear idea of the objectives of the policy and who showed an understanding of relationships between some of the key objectives	68	25.2
<u>Group B - Adequate Answers</u> Respondents who displayed some idea of the objectives of the policy but who showed little knowledge of inter-relationships between the key objectives	63	23.3
<u>Group C - Vague Answers</u> Respondents who showed that they knew one or more of the economic factors involved but whose answer was vague	90	33.3
<u>Group D - Poor Answers</u> Respondents who gave either a description which had nothing to do with the objectives of the policy or could give no description of the objectives	49	18.1
<u>TOTAL</u>	<u>270</u>	<u>100.0</u>

every five (Group D - poor answers)⁽¹⁾ gave either an incorrect or meaningless description of the aims of the policy or no description at all. The following are some examples:-

"We're on a sticky wicket. (Probe) To stabilize things."

"Prices are too low and wages are too high - they're trying to even them up."

"To make money for them to spend."

The next third of the respondents (Group C) were not much better. This group gave answers of a vague nature which hinted at part of the objectives of the policy but described them in an unclear manner, such as:-

"To stabilize the economic structure of the country as a whole."

"To stabilize the economy by ensuring that incomes do not rise quicker than is viable."

"To get the financial structure of the economy into a reasonable order."

In addition, within this group are contained the answers of managers who felt that the objective of a prices and incomes policy was only to stop prices and incomes rising and could give no reason for the Government desiring to stabilize prices and incomes.

The 63 respondents in Group B showed evidence of comprehension of some of the main features of the prices and incomes policy but did not attempt to relate any of these features to each other. For

(1) It will be remembered that four grades of comprehension were used; Group A - good answers; Group B - adequate answers; Group C - vague answers; Group D - poor answers.

instance:-

"To bring the balance of payments into correct focus and to bring the country out of debt and to get prosperity in the future."

"To control prices and incomes. To control the inflationary trend when prices and incomes spiral. To control the growth of the economy."

One manager in four (Group A) gave a good description of the policy which showed an understanding of the inter-relationship of some of the policy's key features. Of these answers some were very good and showed how increases in productivity could help to attain the objectives. For example:

"To improve the balance of payments by ensuring that firstly, personal incomes don't rise faster than the growth in G.N.P. and secondly, to ensure that price rises are kept to a minimum due to their effect on costs and on wage claims."

"Principally to permit our manufactured goods to be competitive internationally. To allow for a rise in real earnings at all levels by wage rises being tied to productivity increases to stop costs shooting up."

Yet answers of this quality were given by only a handful of the managers. Despite the fact that management have such a vital part to play in implementing the prices and incomes policy less than half of the managers (48.5%) in this sample⁽¹⁾ had an understanding of the key features of the policy.

A national sample of the total population found, in 1966,

(1) In Groups A and B of Table 3.1.

that only 21.6% of the general public could give adequate or good descriptions of the prices and incomes policy.⁽¹⁾ That twice as many managers could give answers as good as these members of the general public to a slightly different question on the policy's objectives is no consolation. If over half of the managers in the sample cannot give at least an adequate description of the aims of the policy how can they be expected to realise the contribution they could make in improving the nation's economic position? Perhaps the managers did know what the policy was trying to tackle but found difficulty in explaining it. A question on the meaning of inflation gave them a second chance to reveal their understanding of the problems the policy was attempting to resolve.

Managers' Understanding of Inflation

The word 'inflation' is frequently used by politicians and economists in the mass media to describe one of Britain's most persistent economic problems. Yet 'inflation' was found to have little meaning to the ordinary citizen in a recent national sample survey.⁽²⁾

While so few of the general public could understand the in-

(1) Hilde Behrend, Harriet Lynch and Jean Davies, A National Survey of Attitudes to Inflation and Incomes Policy, Occasional Papers in Social and Economic Administration, No.7, Edutext, London, 1966, p.14.

(2) Ibid., p.6.

Table 3.2

Classification of managers in terms of the degree of comprehension shown in answer to the question: "What does the term inflation mean to you?"

Respondents classified by the degree of comprehension shown in their answers	No. of Respondents	Percentage of Respondents %
<u>Group A - Good Answers</u> Respondents who showed the inter-relation of at least three variables involved in inflation such as rising prices, rising incomes, the quantity of money and goods available	23	8.5
<u>Group B - Adequate Answers</u> Respondents who showed the inter-relation of at least two variables involved in inflation such as rising prices, rising incomes, the quantity of money and goods available	75	27.8
<u>Group C - Vague Answers</u> Respondents who mentioned one or two features of inflation (such as rising wages, rising prices, money losing value) without making any inter-relationship or gave answers which mentioned one or two relevant features but which are less specific and badly expressed	135	50.0
<u>Group D - Poor Answers</u> Respondents who mentioned one or two relevant variables but whose answers were meaningless, or gave answers which indicated that inflation is something bad and answers in which the respondents were unable to give a meaning to the term inflation	37	13.7
<u>TOTAL</u>	<u>270</u>	<u>100.0</u>

flationary tendencies of certain wage claims put forward on their behalf, their role in the implementation of the policy is, relatively, a passive one. Managers, however, are often in a position initially to grant or reject these wage claims. It appeared important, therefore, that managers should know more than the general public about the complexities of inflation. The managers' understanding of the phenomenon of inflation was greater than that of the general public. When asked, "What does the term inflation mean to you?" over one third of the managers (36.3%) could describe the inter-relation of two of the variables involved in inflation compared with only 6.9% of the sample of the general public.⁽¹⁾

The best answers given by management are contained in Group A of Table 3.2. While these answers are by no means perfect they do show how the key features of inflation interact.⁽²⁾ For example:-

"Prices are getting out of hand. We need to keep productivity up with wage increases or this leads to too few exports and too many imports."

"Incomes rise faster than the level of output. (Probe) Associated with this is the rise in costs which leads to deficits on the balance of payments."

"More and more money available and labour, materials etc. becoming more and more expensive. Prices rise and wages rise. This leads to problems with exports. We need improved work for any income rise. Incomes must not be allowed to rise more than productivity increases."

The answers in Group B were not quite so elaborate as those men-

(1) See Appendix 8 for the distribution of answers to this question.

(2) It must be remembered that these are unprepared oral answers.

tioned above but the 75 managers in this group were able to mention two factors involved in inflation and to show the relationship between these factors.

Exactly half of the sample mentioned one or two features of inflation without making any relationship between them. Their answers are contained in Group C. For these respondents inflation was a fairly straightforward phenomenon. It was simply either a loss in the real value of money or a balance of trade problem. Sometimes both of these features were mentioned but no apparent connection was indicated between them. Within this group, 131 answers (48.5% of the total sample) are concerned with rising prices or the loss of the real value of money. Not one answer, however, equated inflation with rising wages alone.

Group D consists of managers who gave no description of inflation at all or at best a vague or meaningless description. For example:-

"A false sense of security."

"An attempt to stop the bubble bursting."

"Too much money and too many goods around."

It is the number of managers in the two latter groups which could perhaps cause anxiety in Government circles. While the proportion of the respondents who had an adequate or good understanding of the policy was satisfactory with respect to the members of the general public with a similar level of comprehension of inflation

the fact is that almost two-thirds of the managers had only an inadequate or vague impression of what inflation means to Britain. As the Government is relying on managers to prevent inflationary price and wage rises, the finding that most managers do not have a good grasp of the dangers of inflation could have serious implications for the Government's hopes of the prices and incomes policy being implemented successfully.

Respondents' Comprehension of Devaluation

In interpreting the quality of the respondents' answers, the managers may have had some excuse for their rather disappointing answers to the meaning of inflation, for inflation has been continuing for so many years and can almost be considered to have become part of the economic scene.

The 1967 devaluation was quite different from inflation. It had occurred only three months before the interviews began and the mass media had covered the subject in length. Thus a question on devaluation would be a guide to see how much information managers retained about an economic event; an event of such magnitude that the Government had tried to avoid it for some time,⁽¹⁾ it had been admitted by the Prime Minister to be a defeat⁽²⁾ and it seemed to

(1) See Peter Jay, The Times, 23rd November 1967, p.24, and The Sunday Times, 26th November 1967. Insight: The Eight Day Countdown to Devaluation, pp.11-12.

(2) Mr. Wilson in a television interview, Thursday 23rd November 1967.

Table 3.3

Classification of managers in terms of the degree of comprehension shown in answer to the question: "Where does devaluation come in all this - what good can it do Britain?"

Respondents classified by the degree of comprehension shown in their answers	No. of Respondents	Percentage of respondents %
<u>Group A - Good Answers</u> Respondents who showed the effect on the balance of trade and mentioning the effects on both imports and exports	10	3.7
<u>Group B - Adequate Answers</u> Respondents who gave answers not so elaborate as Group A, showing the effect upon the balance of trade but mentioning only the effect upon exports or imports	50	18.5
<u>Group C - Vague Answers</u> Respondents who mentioned only the effect upon either the balance of trade <u>or</u> exports <u>or</u> imports	155	57.4
<u>Group D - Poor Answers</u> Respondents who failed to describe devaluation or who gave meaningless answers or who could not even attempt to describe devaluation.	55	20.4
<u>TOTAL</u>	<u>270</u>	<u>100.0</u>

have convinced the majority of the population that British prestige had been damaged.⁽¹⁾ To explore the impact this event had made on the managers the following question was put: "Where does devaluation come in all this - what good can it do Britain?"⁽²⁾ The striking finding was that only one manager in five had some understanding of the overall aims and part of the effect of devaluation. This was only two-thirds of the number who had at least a rough idea of how inflation could continue to grow. Indeed, while 13.7% of the respondents could not describe what inflation involved even more - one in five - failed to give even the most elementary account of devaluation. Thus even a recent event of the utmost importance to the economy failed to affect the managers unduly, one-fifth seemingly hardly noticing devaluation and its attendant publicity. A few managers, however, could give a good or at least adequate description of devaluation.

The answers in Group A in Table 3.3 were rather more elaborate than the rather basic replies given in Group B and covered not only the strengthening of our competitive position but gave details

(1) See The Sunday Times Opinion Poll conducted by Opinion Research Centre, 26th November 1967, p.9.

Question: "How much damage has been done to British prestige by devaluation?"

A great deal of damage	27%
Quite a lot of damage	30%
Not much damage	23%
No damage	8%

78% of the sample also felt devaluation would be bad for them.

(2) See Appendix 9 for the distribution of answers to this question.

of how this was to be achieved. For example:-

"Devaluation is meant primarily to make exports more competitive in the export markets, to increase the price of imports and consequently to get the balance of payments on the right side."

"It is firstly to raise the cost of imports (which will raise the cost of our manufacturing industries depending upon imports). Secondly it makes our goods relatively cheap in other countries which have not devalued and therefore increases our competitiveness."

Almost three managers in every five only mentioned one aspect of devaluation or did not in spite of probes, give the reasons for their answer. These answers are classified into Group C and are of a much lower standard than the two groups mentioned above:-

"It gives us an exporting advantage - and nothing else at all."

"To make our goods cheaper for foreigners to buy."

These answers at least give some indication that the manager had an idea of the implications of devaluation.

Some of the answers in Group D could have been referring to almost anything:-

"It corrects past errors."

"It was forced on us. It's not intended to do anything."

"I think it's part of a banker's game of chess."

Clearly, a certain gap would appear to exist between some managers and the Government in their respective concern with the nation's finances. Perhaps, in view of the publicity given to devaluation, this could be due to a lack of interest in the national economy on the manager's part?



Respondents' Knowledge of the Criteria for Pay Increases

The questions so far had tested the managers' comprehension of the aims of incomes policy and the economic environment. The rest of the questions assessing the managers' understanding of prices and incomes restraint were concerned more with the specific provisions of the policy which the managers had to carry out in practice. Despite the fact that the policy has to be considered by managers when determining wage and price increases their knowledge of the extent and operation of the policy was no better than their understanding of its economic setting.

There had been several attempts by governments to lay down criteria for income increases since the war.⁽¹⁾ For almost two years, however, separated by the pause of twelve months for the incomes standstill, the Labour Government's criteria for exceptional pay increases had remained unchanged. How much did managers know about those criteria which they were supposed to observe in judging the merits of pay claims? To assess the respondents' comprehension on this issue they were asked:

(1) For details see Appendix 10.

Table 3.4

Classification of managers in terms of the degree of knowledge shown in answer to the question: "The Government has laid down a number of criteria for pay increases over the years; which criteria are now accepted by the Government for pay increases?"

Respondents classified by the degree of knowledge shown in their answers	No. of Respondents	Percentage of Respondents %
<u>Group A - Good Answers</u> <p>Respondents who mentioned at least two of the four main criteria laid down by the Government as exceptions to the 'nil norm' and, after 20th March 1968, as criteria to allow pay increases up to (and in some cases above) an annual ceiling</p>	29	10.7
<u>Group B - Adequate Answers</u> <p>Respondents who mentioned one of the four main criteria laid down by the Government as exceptions to the 'nil norm' and, after 20th March 1968, as criteria to allow pay increases up to (and in some cases above) an annual ceiling</p>	156	57.8
<u>Group C - Vague Answers</u> <p>Respondents who mentioned criteria not specifically linked to the four exceptions from the 'nil norm' and, after 20th March 1968, as criteria to allow pay increases up to (and in some cases above) an annual ceiling. (For example: increased responsibility, merit increases, promotion)</p>	7	2.6
<u>Group D - Poor Answers</u> <p>Respondents who did not mention any of the criteria for exceptions from the 'nil norm' and, after 20th March 1968, as criteria to allow pay increases up to (and in some cases above) an annual ceiling. Respondents who gave answers which did not include any criteria mentioned in Group C. Respondents who could give no description of the criteria at all</p>	78	28.9
<u>TOTAL</u>	<u>270</u>	<u>100.0</u>

"The Government has laid down a number of criteria for pay increases over the years; which criteria are now accepted by the Government for pay increases?"(1)

Almost two-thirds of the sample could mention at least one of the four criteria laid down by the Government but only one manager in ten could remember more than one.(2) The ten per cent who remembered two or more criteria are shown in Group A of Table 3.4. In every case except one the manager mentioned productivity as one of the two criteria he could remember. (Only one manager mentioned three criteria.) 'Lower paid workers' accounted for another 27 of the main criteria mentioned by the managers in Group A, only four managers mentioning 'the seriously out of line with similar work' criteria and none at all naming the increase allowable 'to secure a change in the distribution of labour'.

(1) The criteria were:

- (i) where the employees concerned, for example by accepting more exacting work or a major change in working practices, make a direct contribution towards increasing productivity in the particular firm or industry.....
 - (ii) where it is essential in the national interest to secure a change in the distribution of manpower (or to prevent a change which would otherwise take place) and a pay increase would be both necessary and effective for this purpose;
 - (iii) where there is a general recognition that existing wage and salary levels are too low to maintain a reasonable standard of living;
 - (iv) where there is widespread recognition that the pay of a certain group of workers has fallen seriously out of line with the level of remuneration for similar work and needs in the national interest to be improved.
- Prices and Incomes Policy After 30th June 1967, Cmnd.3235, H.M.S.O., London, 1967, p.6.

(2) See Appendix 11 for distribution of answers to the question: "Which criteria are now accepted by the Government for pay increases?"

Group B contains answers of managers who could name but one of the Government's four criteria. The Government had certainly succeeded in communicating that pay increases were justified if productivity increased as only 10 of the 156 managers in this group named any criteria for a pay increase other than a rise in productivity.

The answers in Group C were not concerned with the major criteria mentioned above. Answers in this group were but obvious statements of the increasing worth of an employee being rewarded by increased remuneration.

Group D consists of the managers who could give no description of the criteria or who gave an incorrect description. For example, the Government had stated that pay increases were not to be awarded to compensate for a rise in the cost of living, yet 12 of the 270 managers believed that the Government approved pay increases of this type. In addition, 8 managers mentioned a figure of 3-3½% for pay increases but failed to realise that this figure was now a "ceiling" not a "norm" as they had believed.⁽¹⁾

The poor answers were, however, in the minority. At least part of the incomes policy had been effectively communicated to the managers. Indeed, closer inspection of the answers shows that

(1) From 20th March 1968 there was a "ceiling" not a "norm" of 3½% for all wage increases satisfying the Government's criteria. There were certain exceptions to this ceiling.

of the 185 managers who mentioned at least one criterion 174 mentioned pay increases were permitted if productivity rose too. Thus two-thirds of the sample had remembered one of the two of the criteria on which the Government had put more emphasis than the others.⁽¹⁾ Indeed, more than one manager in eight remembered the other criterion to which priority had been given - the case of lower paid workers.

It would appear that in these cases at least the Government had closed part of the communication gap. Certainly the remaining two criteria had been recollected by only a handful of managers. Merely five mentioned the 'seriously out of line with similar work' guideline and only one 'the change in the distribution of labour' criterion.

As mentioned above, the Government had expressly stated that less regard was to be paid to certain types of pay increases. Did the managers know as much about these negative injunctions⁽²⁾ as

(1) See Cmnd.3235, p.6.

(2) The negative injunctions were as follows:-

"less regard should be paid to such factors as general comparisons with incomes in other employments and changes in the cost of living"

Prices and Incomes Policy After 30th June 1967, Cmnd.3235, H.M.S.O., London, 1967, p.6.

This was later confirmed:-

"the criterion justifying increases on the grounds of comparability needs to be applied selectively, and must not be used to spread pay increases into areas of employment where the original justification does not apply."

and

"Pay increases based on a rise in the cost of living are not justified under the criteria and should not be conceded."

Productivity, Prices and Incomes Policy in 1968 and 1969, Cmnd.3590, H.M.S.O., London, 1968, p.9.

Table 3.5

Classification of managers in terms of the degree of knowledge shown in answer to the question: "Of which type of increases do the Government, on the whole, disapprove?"

Respondents classified by the degree of knowledge shown in their answers	No. of Respondents	Percentage of Respondents %
<u>Group A - Good Answers</u> Respondents who identified the two criteria for income increases of which the Government disapproved	0	0
<u>Group B - Adequate Answers</u> Respondents who identified one of the two criteria for income increases of which the Government disapproved	25	9.3
<u>Group C - Vague Answers</u> Respondents who named the corollary of some of the four criteria for income increases permitted by the Government	83	30.7
<u>Group D - Poor Answers</u> Respondents who gave a description which had nothing to do with the criteria of which the Government disapproved or who could give no description of these criteria	162	60.0
<u>TOTAL</u>	<u>270</u>	<u>100.0</u>

they did about the permitted criteria? To test their knowledge of this aspect of the policy the managers were asked:

"Of which type of increases do the Government, on the whole, disapprove?"(1)

It can be seen from Table 3.5 that none of the managers was able to recall both of the negative injunctions. Indeed, less than one manager in ten (Group B) could mention either general comparability or the cost of living as criteria condemned by the Government. The answers in Group C were merely vague answers, slightly better than those in Group D, but not really concerned with the criteria of which the Government disapproved. The poor answers in Group D (three-fifths of the total sample) either gave no description of the negative injunctions or only vague or incorrect answers. For instance:

"anything based on the bargaining power of the party"

"anything above 6%"

Specific claims which had been rejected were also mentioned:

"The Civil Service"

"The Miners"

"The Engineers"

In the case of the rejection of a specific occupations' claim the respondent was asked why the claim had been rejected but in only a few cases was an answer forthcoming. It would appear that little attention had been paid to this negative aspect of the incomes criteria. A guide to managers' attitudes towards these negative

(1) See Appendix 12 for distribution of answers to this question.

Table 3.6

Classification of managers in terms of the degree of knowledge shown in answer to the question: "What machinery or organisations exist to carry the Government's prices and incomes policy into effect?"

Respondents classified by the degree of knowledge shown in their answers	No. of Respondents	Percentage of Respondents %
<u>Group A - Good Answers</u> Respondents who named at least three of the bodies helping to carry the policy into effect	19	7.0
<u>Group B - Adequate Answers</u> Respondents who named at least two of the bodies helping to carry the policy into effect	44	16.3
<u>Group C - Vague Answers</u> Respondents who named one body which helped to carry the policy into effect	119	44.1
<u>Group D - Poor Answers</u> Respondents who gave a description which had nothing to do with the machinery or organisations existing to carry the policy into effect or who could give no description of either the machinery or the organisations concerned	88	32.6
<u>TOTAL</u>	<u>270</u>	<u>100.0</u>

injunctions is given later⁽¹⁾ to see whether or not this lack of awareness was due to the injunctions being of a non-controversial nature or whether managers simply did not know they existed.

Respondents' Ideas about the Machinery or Organisations to carry the Policy into Effect

As a further test of the managers' understanding of how the prices and incomes policy worked in practice they were asked:

"What machinery or organisations exist to carry the Government's prices and incomes policy into effect?"(2)

The managers tended on the whole to avoid detailing the machinery involved in the policy and just mentioned the organisations concerned in implementing the prices and incomes policy.⁽³⁾ This could be due, however, to the semi-voluntary nature of the policy and the manager feeling that the firm's part was but minor compared to the organisations operating the policy. Some managers did mention part of the system but none mentioned the whole process.

Few managers had a really good idea of the way the policy was operated (Table 3.6). Only one manager in every fourteen could mention three of the bodies concerned with the prices and incomes policy (Group A) and only 16.3% of the respondents were able to

(1) See Chapter 8.

(2) For details about the machinery and organisations involved, see Appendix 13.

(3) See Appendix 14 for the distribution of answers to the above question.

mention two organisations involved (Group B).

Combining these answers with those which revealed only a vague notion of the prices and incomes machinery (Group C) it can be seen that just over two-thirds could mention one or more of the organisations assisting in the operation of the policy. One manager in every three (Group D) had little or no idea of how the policy was carried into effect. Most of this latter group of the managers could give no indication at all of how the policy operated, very few managers gave an incorrect answer. All but one of the respondents⁽¹⁾ who were mistaken believed that there were no bodies existing to carry the policy into effect. These managers may well have been giving an opinion about the effectiveness of the policy but probes produced no further replies.

Managers' Knowledge of the Powers to enforce the Prices and Incomes Policy

Had the Government's reserve powers to enforce the policy made a greater impression on the managers than the machinery of the policy? The Government had powers derived from the Prices and Incomes Act 1966 to delay increases in prices and incomes.⁽²⁾ Very

(1) Twelve managers gave an incorrect answer. Eleven believed that no organisations existed to carry the policy into effect. The other answer in this group referred to the 'Productivity Council'.

(2) For details about these reserve powers see Appendix 15.

Table 3.7

Classification of managers in terms of the degree of knowledge shown in answer to the question: "If the Government has reserve powers, what are these powers?"

Respondents classified by the degree of knowledge shown in their answers	No. of Respondents	Percentage of Respondents %
<u>Group A - Good Answers</u> Respondents who either gave the length of the delaying powers or who described the process of the examination of the claims and mentioned that any awards could be delayed	17	6.3
<u>Group B - Adequate Answers</u> Respondents who knew either that the pay increases could be delayed or that claims could be vetted by the Government or the N.B.P.I. but did not know what else could be done	62	23.0
<u>Group C - Vague Answers</u> Respondents who knew that the Government had reserve powers but did not know what these powers were in any detail	102	37.8
<u>Group D - Poor Answers</u> Respondents who believed either that the Government had no reserve powers or did not know whether or not the Government had these powers	89	33.0
<u>TOTAL</u>	<u>270</u>	<u>100.0</u>

few managers, however, were aware of the details of these powers (Table 3.7).⁽¹⁾

The best answers comprised Group A. This group, however, was quite small. Only nine managers out of the 270 knew the extent of the delaying powers of the Government and only eight others could mention the notification of claims or the reference to the National Board for Prices and Incomes which could lead to the possible delaying of the price or income rise.

The answers in Group B revealed a knowledge that reserve powers did exist but gave little detail of what these powers entailed. In this group the answers were not so elaborate as in Group A or even suggested that the powers were more restrictive than they actually were in practice.

Even less accurate answers are to be found in Group C. Here, there was an awareness that reserve powers did exist but no idea at all about the nature of these powers was expressed. Thus little knowledge about the powers the Government held in reserve was in evidence among the managers. Merely one manager in every five knew the reserve powers consisted of an authorisation to delay price and income increases. Including these managers only three respondents in every ten could give a rough account of the powers, and a further group comprising just under two-fifths of the sample knew merely that reserve powers existed. This means that the re-

(1) For the distribution of answers to a question on the reserve powers held by the Government, see Appendix 16.

Table 3.8

Classification of managers in terms of the degree of knowledge shown in answer to the question: "Do you know of any penalties which the Government can legally impose if a firm defies an order to stop a wage increase?"

Respondents classified by the degree of knowledge shown in their answers	No. of Respondents	Percentage of Respondents %
<u>Group A - Good Answers</u> Respondents who gave accurate details of the fines which could be imposed	15	5.5
<u>Group B - Adequate Answers</u> Respondents who knew that fines could be imposed but gave no further description of the imposition of the fines	43	15.9
<u>Group C - Vague Answers</u> Respondents who knew that penalties did exist but gave vague descriptions of the penalties	21	7.8
<u>Group D - Poor Answers</u> Respondents who believed that no penalties could be used or who could give no description of the penalties	191	70.7
<u>TOTAL</u>	<u>270</u>	<u>100.0</u>

maining third of the sample (Group D) did not know if reserve powers existed, or worse, felt that the Government had no reserve powers at all. In other words, one-third of the sample assumed that the operation of the policy was being left entirely to the good will of both sides of industry.

A further test of the respondents' knowledge of the Government's powers sought to discover how well informed management were about the penalties the Government could impose if a firm decided to defy an order to stop a wage increase.⁽¹⁾

Little publicity had been given to these penalties. Few firms were expected to have come into contact with threats of legal penalties and accordingly it was believed that managers would have little knowledge of the penalties.

The results tended to confirm this as Table 3.8 shows that two out of every three managers had no knowledge at all about the penalties, and a few others felt that no penalties were in existence.⁽²⁾ Thus seven managers in every ten had no idea what these penalties entailed (Group D). The respondents in Group C did know that penalties existed but apart from a realisation that 'something' could be done they had either only a vague idea of the penalties or incorrect or vague notions about the severity of any sanctions.

(1) See Appendix 17 for details about these penalties.

(2) Only ten managers felt that no penalties existed at all. See Appendix 18 for the distribution of answers to the question on the penalties which could be imposed on recalcitrant firms.

Even the managers in Group B had neither knowledge of the severity of the fines which could be imposed nor awareness of the different fines which could be imposed upon the body corporate or the individual employer.

Indeed only one manager in every twenty (Group A) was able to give accurate details of the penalties which could be imposed upon recalcitrant employers. Obviously the threat of fines would seem not to have made much impact upon the managers in this sample.

Summary

In this chapter the respondents' comprehension of the issues involved in the incomes policy and their understanding of the workings of the policy itself have been assessed.

In the next chapter the degree of comprehension shown by the managers will be re-examined to see if any factors in the managers' background contribute to their understanding of the incomes policy.

In this case, to construct the index of the managers' comprehension, three decisions had to be made:

- (1) Which questions should be included in the index?
- (2) Should any questions be weighted on account of their importance?

(1) See A.M. Oppenheim, *Questionnaire Design and Attitude Measurement*, Heinemann, London, 1946, pp.100-102.

CHAPTER 4WHICH RESPONDENTS KNEW MOST ABOUT THE PRICES
AND INCOMES POLICY?

Chapter 3 was concerned with the respondents' knowledge of a variety of subjects connected with the prices and incomes policy. While this showed what the respondents as a whole knew about aspects of the policy it would also be useful to know whether or not any particular types of managers had more understanding of the policy than others. Accordingly, a measure of the overall understanding of individual managers was constructed and was used to discover whether any groups showed greater understanding of the policy than others.

It was decided to construct what Oppenheim calls an ad hoc index by adding together the results of a series of questions bearing on the managers' knowledge of the policy and the nation's economic difficulties. Such an index is, as Oppenheim points out, a crude device but it is still better than relying upon a single question.⁽¹⁾

In this case, to construct the index of the managers' comprehension, three decisions had to be made:

- i) Which questions should be included in the index?
- ii) Should any questions be 'weighted' on account of their importance?

(1) See A.N. Oppenheim, Questionnaire Design and Attitude Measurement, Heinemann, London, 1966, pp.100-102.

- iii) How should the answers given to the selected questions be evaluated?

The Method of Constructing the Comprehension Assessment Index

To form the index it was decided to include all the topics dealt with in Chapter 3 with the sole exception of the question concerned with the penalties which could be imposed on a recalcitrant employer. The reason for this omission was that these penalties had never been imposed on anyone and had never been explicitly mentioned in a White Paper.

The other questions were concerned with the respondents' comprehension of topics which had been publicised either extensively in the national mass media or in government publications which were easily obtainable. In addition, the firms employing the managers would have had to implement many of the regulations about the prices and incomes policy set out in the government publications. Thus, unlike the question concerning penalties, information about the topics covered in the questions used to construct the index could have been acquired by the respondents without undue trouble.⁽¹⁾

(1) Information on the objectives of the policy and inflation had been given both in government publications (such as the National Plan and White Papers) and in the mass media. Details about the machinery of the policy and the criteria for income increases were contained in various White Papers and had to be observed in practice. The delaying powers of the Government had first been mentioned in a White Paper in April 1968 but had been in use since the Prices and Incomes Act in 1967 and had received a certain amount of publicity. Devaluation had been freely commented upon in the mass media for many months after the actual event as observers waited to see the effect of this measure.

The index was to be used to see how well managers were equipped to implement the prices and incomes policy and consequently was to test the respondents' understanding not only of the mechanics of the policy but also its *raison d'être*. Therefore, questions of a narrow nature on the operation of the incomes policy and wider questions on the economic problems facing Britain were used in the construction of the index. No distinction was made between the questions dealing with the broader aspects of Britain's economic difficulties and those concerned with the details of the prices and incomes policy.

The weighting of certain questions was considered but rejected. It was felt that while the level of comprehension shown in answer to some questions was higher than in reply to others this would, on the whole, mean that the degree of difficulty experienced by the individual managers in answering the question would be, relatively, the same for all managers.⁽¹⁾

The answers to the seven questions which were to form the comprehension assessment index had already been ranked on the basis of the understanding shown in response to each question. The ranking had been into four groups (A - D) which, as was explained in Chapter 3, consisted of Group A - good answers; Group B - adequate answers; Group C - vague answers; and Group D - poor answers. Using this ranking system the index of the individual

(1) See Appendix 19 for further details of this decision.

Table 4.1

The Comprehension Assessment Ratings

(Lowest indices show greatest
comprehension)

Comprehension Assessment Rating	Respondents' Comprehension Assessment Indices (inclusive)	Number of Respondents in Group	Cumulative Percentage of Respond- ents in Group %
Much above average	11 - 15	27	0 - 10.0
Above average	16 - 17	38	10.1 - 24.1
Average	18 - 22	136	24.2 - 74.5
Below average	23 - 24	38	74.6 - 88.6
Much below average	25 - 28	31	88.7 - 100.0

manager's comprehension could be worked out by giving him one point for a good (Group A) answer, two points for an adequate (Group B) answer, three points for a vague (Group C) answer and four points for a poor (Group D) answer. Adding the allotted points the respondent's index could be obtained. For instance, if a manager gave seven very good (Group A) answers his comprehension assessment index would be seven and if a manager gave seven poor answers (Group D) his index would be 28. All indices therefore would lie between the extremes of 7 and 28.⁽¹⁾ The lower the manager's index the greater was his comprehension of the incomes policy.

Table 4.1 shows a summary of the distribution of the managers' indices.⁽²⁾ The distribution with a mode of 20, a median of 19.5, had a standard deviation of 3.6.⁽³⁾ None of the respondents had given good answers to all seven questions. Indeed the fact that the median is a greater number than 17.5, the mid-point of the possible scores, shows that the distribution is skewed by the respondents' lack of knowledge.⁽⁴⁾

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- (1) For example, if a manager gave three good (Group A) answers, one adequate (Group B) answer, one vague (Group C) answer and two poor answers (Group D) his index would be $(3 \times 1) + (1 \times 2) + (1 \times 3) + (2 \times 4) = 16$.
- (2) See Appendix 20 for the complete distribution of the indices of the respondent's comprehension of the prices and incomes policy.
- (3) The arithmetic mean was 20.1.
- (4) Pearsonian co-efficient of skewness 0.59.

To be able to use the scores more meaningfully, the respondents' indices were divided into five grades, roughly at the tenth, twenty-fifth, seventy-fifth and ninetieth percentiles. This enabled judgments to be made on the connection between different types of managers and their degree of comprehension. The group in the centre of the distribution which consisted of those managers who lay approximately between the seventy-fifth and twenty-fifth percentiles was considered to have 'average' comprehension. This enabled each manager to be given a comprehension assessment rating such as "much above average comprehension" (above the ninetieth percentile); "above average comprehension" (76th - 90th percentile); "average comprehension" (26th - 75th percentile); "below average comprehension" (11th - 25th percentile) and "much below average comprehension" (1st - 10th percentile).

The Levels of Comprehension of Different Types of Managers

As explained in Chapter 2, information about the manager's background was collected at the end of each interview. The background factors were of two types, personal factors such as the manager's terminal level of education and his age and factors in his working life such as the size of the firm which employed him, the information about the policy received by the manager, the manager's involvement in pay negotiations, and the manager's position in the firm. Each of these factors was analysed in terms of the comprehension assessment ratings to determine whether or not there was any relation between the level of comprehension

Table 4.2

Relation between the Managers' Terminal
Education and their Understanding of
Incomes Policy

Terminal Education	Comprehension Assessment Rating					Total Percent- age %	Total No.in Group
	much above average %	above average %	average %	below average %	much below average %		
Junior Secondary School	4.1	8.2	44.9	12.2	30.6	100.0	49
Senior Secondary School	3.3	11.7	55.0	18.3	11.7	100.0	60
Technical College	7.9	15.7	47.2	21.3	7.9	100.0	89
Professional Qualification	26.5	17.6	52.9	0.0	2.9	100.0	34
University	18.4	18.4	55.3	5.3	2.6	100.0	38

shown by the manager and the background factor.

The Respondent's Terminal Level of Education and his Understanding of Incomes Policy

An examination of the relationship between the managers' terminal level of education and their comprehension assessment ratings showed that there appears to be a direct relationship between them in the sense that the more education managers had received the more likely they were to be well-informed (Table 4.2). This was illustrated by the fact that far more of the professionally trained men (44.1%) and the university graduates (36.8%) had above average or much above average comprehension assessment ratings than the senior secondary school (15.0%) or junior secondary school leavers (12.3%). At the other end of the scale no less than two-fifths (42.8%) of the junior secondary school leavers and three-tenths of the senior secondary school leavers had a comprehension assessment rating below average or much below average. Only few of the professionally trained (2.9%) and of the university educated (7.9%) managers had such a low comprehension assessment rating.

The Size of the Respondent's Firm and his Comprehension of the Incomes Policy

Did the larger firms have managers better informed about the incomes policy than those in smaller firms or were the more knowledgeable managers distributed fairly evenly among all sizes of firms?

Table 4.3

Relation between Size of Firm and the
Managers' Understanding of Incomes
Policy

Size of Firm	Comprehension Assessment Rating					Total Per-cent-age %	Total No.in Group
	much above aver-age %	above aver-age %	aver-age %	below aver-age %	much below aver-age %		
Large (1000+ employees)	29.2	20.8	37.5	8.3	4.2	100.0	24
Larger Medium (250-999 employees)	10.1	20.3	49.4	12.7	7.6	100.0	79
Smaller Medium (100-249 employees)	9.3	11.1	48.1	14.8	16.7	100.0	54
Small (11-99 employees)	6.2	9.7	54.9	15.9	13.3	100.0	113

The larger firms emerged quite clearly as those with the better informed managers. Half of the managers in the large firms and three-tenths (30.4%) of those in the larger medium sized firms had a comprehension assessment rating above average or much above average (Table 4.3). Indeed, three managers in every ten in the large firms had a much above average comprehension assessment rating. Compared to these figures the managers in the smaller firms were shown to be poorly informed. Only one manager in five (20.4%) in the smaller medium sized firms and just under one manager in six (15.9%) in the small firms had an above average or much above average comprehension assessment rating.

Among the respondents with below average or much below average comprehension assessment ratings were to be found over twice as many, in percentage terms, of the managers in smaller medium sized firms (31.5%) and small firms (29.2%) than managers in large firms (12.5%).⁽¹⁾

Why should managers in larger firms have more understanding of the incomes policy than those in smaller firms? Could it be that the more intelligent managers were employed by the larger firms? Certainly, large firms tend to recruit more graduates. Were the large firms in this sample employers of many graduates or those who had had professional qualifications? This certainly did seem to be the case as over two-fifths of the managers in

(1) 20.3% of the respondents employed by larger medium sized firms had a comprehension assessment rating below or much below average.

Table 4.4

Percentage of 270 Respondents who received
information from (a) Discussion at Work,
(b) the Mass Media, (c) Written Informa-
tion at Work

	Percentage of managers receiving information
(a) Discussion at work	41.5%
(b) Articles or discussion on the prices and incomes policy followed in the mass media	86.7%
(c) Receipt at work of written information about the prices and incomes policy	31.9%

large and over three-tenths of those in the larger medium sized firms either had a professional qualification or a degree compared with only one manager in every five in the smaller medium sized firms and small firms.⁽¹⁾

Since terminal education involving some degree of further education had already been seen to be related to the manager's comprehension assessment rating and larger firms had relatively more graduates or professionally trained men on their staff than smaller firms it was hardly surprising that the larger the firm the more likely was the manager to have more comprehension of the incomes policy. But there could have been another reason. More than twice as many managers in large firms (54.2%) received information on the incomes policy at their work than managers in smaller medium (27.8%) and small firms (23.9%).⁽²⁾ Did the receipt of information help managers to understand the incomes policy?

Examination of the Relationship between the Information about the Prices and Incomes Policy received by the Respondent and his Understanding of the Policy

The respondents had been asked about the sources of their information about the incomes policy. The proportion of managers

(1) See Appendix 21 for a breakdown of the relation of the size of firm to the terminal education of its manager.

(2) 39.2% of the managers in larger medium firms received information at the place of work - see Appendix 21. See Appendix 22 for the source of information the managers received at work.

Table 4.5

Relation between Managers' Receipt of Information from different Sources and their Understanding of the Incomes Policy

	Comprehension Assessment Rating					Total Percentage %	Total No. in Group
	much above average %	above average %	average %	below average %	much below average %		
Discusses Incomes Policy	13.4	17.9	53.6	10.7	4.5	100.0	112
Does not Discuss Policy	7.6	11.4	48.1	16.5	16.5	100.0	158
Keeps informed through mass media	11.1	15.8	50.9	13.2	9.0	100.0	234
Does not keep informed through mass media	2.8	2.8	47.2	19.4	27.8	100.0	36
Receives written information at work	19.7	20.9	54.6	3.5	1.2	100.0	86
Receives no written information at work	5.4	10.9	48.4	19.0	16.3	100.0	184

receiving information from each source is shown in Table 4.4. In each case the managers who received information through discussion, the mass media or at work had relatively more comprehension about the incomes policy than those who did not receive information. While each source of information seems to have had an effect on the manager's knowledge of the policy not all sources were equally effective (Table 4.5).

Discussion proved to be the least important factor but its effect was not negligible. Of the 112 respondents who discussed the policy 31.3% had a much better or better than average comprehension assessment rating compared with 19.0% of the 158 respondents who did not discuss the policy, a difference of 12.3 percentage points.

Considering again only those with a comprehension assessment rating of above or much above average this difference in comprehension was small compared with the difference in comprehension between managers who received information from other sources and those who did not. A difference of 21.3 percentage points existed between those who received information through the mass media and those who did not but the greatest difference was one of 24.3 percentage points between those receiving written information at work and those who did not receive such information.

There are several possible explanations for discussion being the least important source of information. The major reason would

Table 4.6

Relation between the Managers' Involvement in
Pay Negotiations and their Understanding of
the Incomes Policy

Involve- ment in Pay Ne- gotiat- ions	Comprehension Assessment Rating					Total Per- cent- age %	Total No. in Group
	Much above aver- age %	above aver- age %	aver- age %	below aver- age %	much below aver- age %		
Direct Involve- ment	14.3	18.3	49.2	11.9	6.3	100.0	126
Indirect Involve- ment	9.5	12.7	54.0	15.9	7.9	100.0	63
No In- volve- ment	3.7	8.6	49.4	16.0	22.2	100.0	81

appear to be that a great difference is found in the levels of discussion about the policy. Little factual information might be obtained in some conversations and consequently little increase in knowledge about the policy would result from the discussion.

Far more managers who received written information at work (two-fifths) than managers who kept informed through the mass media (one quarter) had a comprehension assessment rating above or much above average. Indeed, only 4.7% of those who received information from their firm had a comprehension assessment rating which was much below or below average compared with over one manager in five of those who kept informed through the media of broadcasting and the press.

Thus it would appear that while following articles in the mass media is a necessary though not sufficient factor, receiving information at work might be almost a sufficient factor in ensuring that a manager has at least an average level of comprehension about incomes policy.

The Respondent's Involvement in Pay Negotiations and his Understanding of the Incomes Policy

Turning to another factor which appeared to be relevant it was found that managers who were involved in pay negotiations knew more about the policy than their colleagues who had no such involvement (Table 4.6). More than three times as many managers who were directly involved in pay negotiations had above average or

much above average comprehension of the policy than the managers who were not involved in pay negotiations.⁽¹⁾

This result was to be expected if only because the negotiators would have to pay attention to certain aspects of the policy. It must be reassuring for the Government, however, that those managers actually involved in pay negotiations had a much better knowledge of the policy and its aims than other managers.⁽²⁾

The Manager's Age and Position in the Firm and his Comprehension of the Incomes Policy

Little relation was found between either the manager's age or his position in the firm and his comprehension assessment rating.⁽³⁾ Slightly more of the younger managers had above average or much above average knowledge of the issues than the older managers but on the whole there was little difference between the age groups.

Top management⁽⁴⁾ had slightly more of their number with a much above or above average comprehension assessment rating than

(1) The managers who were indirectly involved with pay negotiations (their own definition) came almost half-way between the two groups with 22.2% of their number having much above or above average comprehension assessment ratings compared with 32.6% of those directly involved and 12.3% of those not involved in pay negotiations.

(2) Yet about one-fifth of the negotiators had below or much below average comprehension of the policy which would seem to indicate that certain negotiators had not paid a great deal of attention to the policy.

(3) For details, see Appendix 23.

(4) A 'top manager' was one who could influence the external policy of his company. This was outwith the scope of a 'middle manager's' job.

middle management but the difference was only three percentage points. A great difference between the two groups was seen, however, when examining the next level of comprehension for relatively many more of the top managers than middle managers had an average comprehension assessment rating, indicating that while the detailed understanding of the two management groups was similar the top manager's understanding had a more solid base. This was illustrated further by the fact that many middle managers had below average or much below average knowledge of the policy.

Conclusions

To sum up, it would appear that the size of firm, the manager's educational attainments, his receipt of relevant information and his involvement in pay negotiations all have a part to play in enabling the manager to comprehend the prices and incomes policy and its aims.

In addition, the size of the manager's firm, the receipt of relevant information at his work place and his terminal level of education were inter-related. It has already been shown that respondents in large firms received more information at work than their counterparts in smaller firms and many of them held a professional qualification or a degree. There is also a connection between the level of terminal education and receipt of information at the place of work. Far more managers with professional

or university training than school leavers received information at work.⁽¹⁾

Was involvement in pay negotiations related to these three background factors? Apparently not. There was a relation between a direct involvement in pay negotiations, the possession of a degree or a professional qualification and receipt of information at work.⁽²⁾ Many managers in small firms, however, were involved in pay negotiations and thus involvement in pay negotiations was not only connected with the managers in the larger firms.⁽³⁾

From these findings two hypotheses can be formulated:

- (1) Managers more involved in pay negotiations are more likely to understand the economic situation and the Government's policies to deal with the situation than other managers.
- (2) (Since all the factors appear to be inter-related): Managers in larger firms, who receive more information at work and who have received a more intensive education are more likely to know more about the economic situation and the Government's policies to deal with this situation than other managers.

Within the second hypothesis three factors appear to be important, namely the size of the respondent's firm, the information he received at work and his terminal level of education. The

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- (1) See Appendix 24 which also reveals no clear relation between the level of terminal education and following of the policy in the mass media.
 - (2) See Appendix 25. No real relationship was discovered between the managers involved in pay negotiations and following the policy in the mass media.
 - (3) See Appendix 21.

question of which of these factors is the most important in determining the level of a person's understanding of a government policy appears to be an important area for future research.

From this survey it was seen that while two-fifths of both those who received information at work and those with a degree or a professional qualification⁽¹⁾ had an above or much above average comprehension assessment rating, exactly half of the managers in large firms had an equally good level of comprehension.⁽²⁾ Thus it might be that there are other factors, as yet undiscovered, at work in the large firm leading to a greater understanding of the prices and incomes policy.

Only 35% of the respondents employed in large and larger medium sized firms, however, had a level of comprehension above or much above average.⁽³⁾ It would appear research in this area would have to consider whether special factors leading to greater understanding of economic affairs exist in the firms employing about 1,000 or more people.

These tentative findings of the strength of the relation-

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- (1) No check had been made on the type of qualification or degree.
 - (2) Direct involvement in pay negotiation was not so strongly related to the level of a manager's comprehension as any of these three factors. Only one-third of those directly involved in pay negotiations had a comprehension assessment rating of above or much above average.
 - (3) Only 24 respondents were managers in firms with more than 1,000 employees and perhaps these managers were not entirely representative of the managers of this size of firm.

ships between the size of firm, the terminal level of education, receipt of information at work and understanding of the prices and incomes policy have, however, to be considered in terms of their usefulness. Even if further research proved that managers employed in large firms had a high level of understanding of the policy this would only be of use to the Government in revealing in which size of firms comprehension of the prices and incomes policy had to be increased. Clearly, there is little likelihood of the Government attempting to increase the number of mergers simply to raise the level of understanding of the policy. Similarly, an expansion of further education is unlikely to be promoted solely to improve people's knowledge of the policy. If the Government is seriously concerned with the poor national understanding of the prices and incomes policy it is far more likely to increase the flow of information about the policy in an attempt to improve comprehension. Even this course might not be adopted unless it appeared to be in the Government's interest. Presumably before the Government would increase the flow of information it would have to be seen whether understanding of the prices and incomes policy is likely to lead to support for this measure. Chapter 5 considers this question.

(1) See Appendix 26 for distribution of answers to the question.

CHAPTER 5RESPONDENTS' VIEWS ON THE USEFULNESS OF AN
INCOMES POLICY

Do Britain's managers feel an incomes policy can help the nation? Do they believe that such a policy is better than existing methods of wage bargaining?

In this chapter the respondents' views on these questions are considered. To do this, their opinions were examined on three topics: (1) the usefulness of a prices and incomes policy in tackling the country's economic difficulties; (2) the value of the incomes policy in curbing inflation; (3) the respondents' preference for an incomes policy or free collective bargaining.

Respondents' Opinions about the Usefulness of a Prices and Incomes Policy in tackling Britain's Economic Difficulties

Before judging the respondents' views on the usefulness of the prices and incomes policy it appeared to be relevant to discover what the managers felt had caused the nation's financial difficulties. Accordingly the respondents were asked:

"Who or what do you think has been mainly responsible for our economic difficulties which have led the Government to the idea of prices and incomes planning?"(1)

(1) See Appendix 26 for distribution of answers to the question.

While certain august bodies have been reluctant to name the difficulties retarding Britain's progress⁽¹⁾ few managers had any doubts (Table 5.1). The answers showed that over half of the respondents (56.7%) blamed the situation on government errors.⁽²⁾ Of these, more than one-third named the present Labour Government as the cause of the economic problems.⁽³⁾ Not all the managers, however, felt the economic difficulties were due to government mistakes. Indeed 28.1% of the sample held industry culpable. Opinion within this group was almost equally divided as to whether management themselves were to blame, or whether the Trade Unions could have given more help to the nation than they have done in the past. In addition, 16.3% of the respondents implied that industry had neither been as productive nor as keen to export or reduce imports as might have been hoped. In all, just under two-fifths of the respondents thought industry was to blame, at least in part, for the country's economic ills.

Other managers felt the responsibility for Britain's plight lay not so much with the Government or with industry but with the

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- (1) See Council on Prices, Productivity and Incomes, Fourth Report, H.M.S.O., London, 1961, p.7.
- (2) A similar result was given by another national opinion survey, conducted by Opinion Research Centre and published in The Sunday Times, 26th November 1967, p.9, which asked: "Who is to blame for the economic difficulties?" and found that 37% blamed Labour Governments, 21% blamed both Labour and Conservative Governments, 20% felt people were not working hard enough, 19% blamed strikes, 10% felt the last Conservative Government was to blame and 9% accused the Trade Unions.
- (3) Four managers blamed Conservative Governments.

Table 5.1

Summary of the distribution of the answers of 270 respondents to the question: "Who or what do you think has mainly been responsible for our economic difficulties which have led the Government to the idea of prices and incomes planning?" (1)

Summary of Classification of Answers	No. of Replies	Percentage of Total Sample %
Answers attributing Britain's economic difficulties to Government errors	153	56.7
Answers attributing Britain's economic difficulties to both sides of industry	76	28.1
Answers attributing Britain's economic difficulties to low productivity or to factors involved in a balance of payments deficit	44	16.3
Answers attributing Britain's economic difficulties to people's greed or selfishness	34	12.6
Other Answers	9	3.3
No answer given	14	5.2

(1) 60 of the 270 respondents mentioned two items separately and these have been recorded as separate items. There are, therefore, 330 items in the table.

Table 5.2

Distribution of answers of 88 respondents to the question: "How could these economic difficulties be tackled?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Management and trade unions should work together/improve industrial relations/encourage incentive schemes.	26	9.6
The Government should take action to cut its spending/make the prices and incomes policy tougher	17	6.3
Production/exports should be increased	16	5.9
The problem is insoluble; answers indicating that the manager could not see a solution to the problem	16	5.9
The public's level of knowledge of the economic situation should be increased	8	3.0
Other answers	11	4.1
No answer given	3	1.1

(1) 9 of the 88 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 97 entries in the table.

attitude of the individual citizen. One manager in every eight believed that Britain's economy is not so healthy because the country has more than its share of selfish or greedy people who put their own interests first.

Although many different views had been expressed about the cause of the country's economic problems, 59.6% of the respondents, in answer to the question: "Do you think a prices and incomes policy can tackle these economic problems?", believed that an incomes policy could be of use in resolving these difficulties.

The more the respondents knew about Britain's economic difficulties and the prices and incomes policy the more they felt such a policy could be useful. Almost two-thirds (64.6%) of the managers with a comprehension assessment rating above or much above average believed a measure such as the prices and incomes policy would be a valuable tool with which to tackle the economic situation. This figure was much higher than that of the respondents with a below or much below average comprehension assessment rating (44.9%), who held the same opinion.

Of the 88 respondents (32.6% of the total sample) who did not feel that the policy would be useful in alleviating Britain's economic problems, several were unable to suggest how the problems might be tackled, five managers even declared that, to them, the problems seemed almost insoluble (Table 5.2).

(1) This question was asked before the question testing the manager's comprehension of inflation.

(2) From Table 3.2

The other answers fell into four main groups. Some of the 88 managers felt that the Government should cut its expenditure, or, 'as the prices and incomes policy was too weak' to achieve much at present, increase the severity of the policy. More incentive schemes or greater co-operation between management and the trade unions were suggested by other respondents as industry's contribution to Britain's economic recovery and a few more felt that industry could help in other ways, namely by increasing productivity or raising the level of exports.

The Manager's Opinions about the Value of Incomes Policy to combat Inflation

The managers were asked about the contribution a prices and incomes policy could make to restrict the growth of inflation - one of Britain's more persistent economic problems.

Firstly, to see whether or not the respondent felt that inflation was a serious problem, each manager was asked: "Do you think that there is too much fuss about inflation or is it important to stop it?"⁽¹⁾ The answer was overwhelmingly in favour of curtailing the growth of the phenomenon. No less than 86.0% of the respondents felt that it was important to curb inflation. Of the 23 managers who had the best idea of what inflation involved⁽²⁾ not one felt that too much fuss was made about it, all

(1) This question was asked before the question testing the manager's comprehension of inflation.

(2) From Table 3.2

felt that it was important that inflation should be stopped. In all, 91.8% of the groups showing the two highest grades of comprehension of the factors involved in inflation felt that it was important to stop its growth.⁽¹⁾ Thus it would appear that a high level of understanding about inflation leads to a strong desire to control the phenomenon.

Of the 232 managers who felt that it was important to stop inflation, 165 (61.1% of the total sample) felt that a prices and incomes policy could tackle the phenomenon.

Greater understanding of inflation was related to the respondent's views that a prices and incomes policy could be usefully employed against inflation. 78.3% of the managers in the group with the highest level of understanding of inflation believed that it could be tackled by an incomes policy compared with only 40.5% of those with the lowest level of comprehension.

Turning from the specific understanding of inflation to the broader comprehension assessment ratings a similar result was obtained. 81.0% of those with a comprehension assessment rating much above or above average felt an incomes policy could help combat inflation compared with only 55.8% of those with a much

(1) J.C.R. Dow, Organizing an Opposition to Price Inflation, Scottish Journal of Political Economy, Vol.V, No.2, June 1958, p.177, argues that to secure the change of attitude he feels is necessary to combat inflation people should be fully aware of the consequences of inflation.

below or below average comprehension assessment rating.

Economic information given to the managers at their work did appear to make a difference to their opinions on the effectiveness of an incomes policy - 68.6% of those receiving information at their work place felt that incomes policy could tackle inflation, a figure eleven percentage points greater than that of those who did not receive such information. A further indication that the receipt of relevant information was related to a belief that a prices and incomes policy could be employed with effect against inflation was found on comparing the views of those who received and those who did not receive information about the policy through the mass media. In this case 63.7% of those kept informed through the mass media believed that an incomes policy could tackle inflation while only 44.4% of those who did not keep informed through the media of broadcasting or the press held the same view.

A comparison of the managers' answers to the questions on the usefulness of a prices and incomes policy in tackling inflation and Britain's economic problems revealed that most of the respondents believed that the prices and incomes policy could be put to use against some of Britain's economic difficulties. Three-quarters of the 165 managers who believed that incomes policy was the way to tackle inflation also considered that such a policy would deal with Britain's economic difficulties in general. Thus

just under half of all the respondents (45.2%) felt that an incomes policy could really make an impact on the factors retarding Britain's progress. In addition, another 82 managers were of the opinion that an incomes policy could deal with either inflation or ameliorate Britain's economic situation.⁽¹⁾ This meant that the vast majority of the respondents (75.6%) believed an incomes policy could make a considerable contribution to Britain's economic recovery, and suggested that throughout industry a feeling existed that the Government was using a policy which businessmen believed could assist Britain on her way to economic health.

Fifty-nine managers (21.9% of the sample) who felt that it was important to stop inflation were of the opinion that an incomes policy was not the way to tackle this phenomenon. Several of these could give no alternative policy to use against inflation. Among those who could think of an alternative measure to tackle inflation, two main ideas predominated. Some of the 59 managers felt that inflation could be controlled by increasing productivity. Apparently they did not realise that increasing productivity in the country is one of the Government's major aims and is an integral part of the incomes policy.⁽²⁾ A few other respondents,

(1) 43 managers felt the prices and incomes policy could tackle inflation but not Britain's economic problems in general and 39 managers believed that the policy could tackle the problems undermining the country's economic position but not inflation.

(2) The Joint Statement of Intent was concerned with productivity, prices and incomes.

The National Plan, Cmnd.2764, H.M.S.O., London, 1965, p.10, referred to a Productivity, Prices and Incomes Policy.

however, did produce an alternative to the policy - a reduction in the level of demand caused by a cut in government expenditure.

Are Changes necessary in the System of Collective Bargaining? - Respondents' Views

Many of the respondents believed that the incomes policy could help the Government in its attempts to overcome Britain's economic difficulties. Did this mean that the policy was seen as a better alternative than free collective bargaining? To discover the answer to this question all the managers were asked about their preference either for free collective bargaining or for a form of control on income determination. The distribution of their answers to a question with a limited choice of answers was:

Some planning of incomes with guidelines
laid down by the government (56.3%);

A return to free collective bargaining
(40.0%).

Thus by a seven to five majority the respondents decided that guidelines laid down by the Government were preferable to the

former system of free collective bargaining.⁽¹⁾

There seems to have been a good degree of consistency in support for or opposition to an incomes policy as 65.8% of those who preferred guidelines also felt that an incomes policy could tackle Britain's economic problems while only half of the managers who preferred free collective bargaining felt these problems could be solved by such a policy. Furthermore, 72.3% of those who preferred guidelines believed that an incomes policy could assist in preventing inflation compared with only 48.1% of those who preferred free collective bargaining.

- (1) National surveys of the opinions of private citizens seem to have produced different results to questions of a similar nature.

Hilde Behrend et al., Incomes Policy and the Individual, Oliver and Boyd, Edinburgh, 1967, p.19, found that 56.0% of their sample felt that the Government should have some say in what pay increases people should have after July 1967 compared with 37.9% who were opposed to this suggestion.

The Scottish Daily Mail, National Opinion Poll, 22nd March 1967, pp.1 and 6, found in answer to the question: "Should the Government always have some control over wages?" the answers were 'Yes' 40%, 'No' 51%, 'Don't Know' 7%.

See also Dr. K.P. Kelvin, What Sort of Incomes Policy? New Society, No.236, 6th April 1967, p.494. Question: "Which do you think is more important : 'that the Government should be able to exercise control over both trade unions and employers?' 31%; 'that trade unions and employers should be free to settle their own affairs?'" 59%.

The above results come from a representative sample of the whole voting population but when Dr. Kelvin asked the same question to New Society readers whom he felt were more intelligent and obviously more motivated in the sense that they returned a questionnaire the result was reversed - 65% preferred the first alternative and 29% the second - New Society, No.237, 13th April 1967, p.533.

An opinion poll taken among 507 executives by Conrad Jameson Associates Ltd. and appearing in The Times, 13th August 1968 found that 72% felt that "a prices and incomes policy was necessary at this time" and only 25% opposed the idea.

The more knowledgeable respondents with a good understanding of the policy and its economic setting were more in favour of guidelines than those who knew less about the policy. Over half (55.5%) of those with a comprehension assessment rating much above average and 78.9% of the managers with above average comprehension preferred guidelines laid down by the government to free collective bargaining compared with only 44.7% and 35.5% of the respondents with below average and much below average comprehension assessment ratings respectively, who had the same preference.

It was seen above that the more knowledgeable managers also believed that an incomes policy could be used effectively against inflation and against Britain's economic problems.

This evidence would seem to permit the following hypothesis to be formulated:

The more the manager understands about the incomes policy and the problems it is attempting to solve the more likely is he to support the policy.

This hypothesis would seem to be of great importance should it be proved correct⁽¹⁾ and could have implications for Government policy.

As evidence has shown in Chapter 4 there seems to be reason to suspect that the size of firm and/or receipt of information,

(1) It could be that the reverse is true. People who are interested in the policy and feel that it is useful may be those who keep themselves informed.

and/or terminal education is related to understanding of the issues at stake. If these factors are further related to support for the incomes policy it would seem that a Government would have a basis around which to foster comprehension and support for a measure such as an incomes policy.

Although managers in larger firms were more inclined to prefer guidelines than managers in smaller firms⁽¹⁾ it has been mentioned before that the Government is most unlikely to increase the size of firms simply to increase national understanding of the prices and incomes policy.

From the evidence here, since a higher level of terminal education did not bear any relation to preference for guidelines⁽²⁾ it would appear that transmission and ready acceptance of information might be the way for the Government to increase understanding of the policy within the country. Of the managers who kept abreast of happenings in the economic field in the mass media 58.1% preferred guidelines compared with 41.7% who did not keep informed.⁽³⁾ A smaller difference of 10.1 percentage points existed between the managers who received information at their work place and who

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- (1) See Appendix 27 for the relationship between the size of firm and the preference for guidelines.
 - (2) See Appendix 27 for the relationship between terminal education and the preference for guidelines.
 - (3) See Appendix 27 for the relationship between receipt of information and the preference for guidelines.

were in favour of guidelines (62.8%) and those who did not receive such information and who preferred guidelines to free collective bargaining (52.7%).

Thus it may well be that if the level of respondents' understanding of the policy has a relation to the support for the policy, opposition to the policy could be reduced by ensuring that more people understood the implications of the policy and its task by increasing the flow of relevant information. Just increasing the information available about the policy would not, however, appear to be enough. Katz and Lazarsfeld⁽¹⁾ mention four intervening variables (exposure, content, attitude and media) which can facilitate or block the flow of communication.

There would appear to be no lack of exposure to economic information. Almost daily, newspapers, television and radio carry reports of the economic situation. Yet newspaper reports do not have to be read and often the television or radio set can be used merely to furnish background 'noise'. Even within this sample of 270 managers 13.3% admitted that they did not keep informed about the prices and incomes policy through the mass media and the 86.7% who claimed that they followed the progress of the policy through the press or broadcasting did not reveal a great deal of knowledge about the policy. The finding that people do not know

(1) Elihu Katz and Paul F. Lazarsfeld, Personal Influence, Free Press, New York, 1955, pp.21-25.

overmuch about the issues of the day is not a new discovery. Politicians have been faced with this problem for some time.⁽¹⁾ Behrend et al.⁽²⁾ showed that a sample of the general public even believed that politicians, by relating inflation to party policies, added to the confusion rather than clarified the issue in people's minds.

Even the content of government publications designed to inform the reader about the economic situation does not appear to be conducive to the promotion of interest or general understanding. To ascertain the readability of documents relevant to this enquiry, it was decided to conduct a test using Flesch's Scales of Reading Ease and Human Interest.⁽³⁾ The findings of the test on three of the Labour Government's publications revealed that literature in

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- (1) See Angus Campbell et al., The American Voter, Wiley, New York, 1960, p.172, for an account of the American public's lack of knowledge about the Taft-Hartley Act despite great publicity accorded to the issue in the 1948 election campaign.
 - (2) Hilde Behrend et al., A National Survey of Attitudes to Inflation and Incomes Policy, Occasional Papers in Social and Economic Administration, No.7, Edutext, London, 1966, p.26.
 - (3) Rudolf Flesch, A New Readability Yardstick, Journal of Applied Psychology, Vol.32, No.3, June 1948, pp.221-233. The Scale of Reading Ease is based on the length of sentences used together with a syllable count of the words in set sample passages. The scale does not take into account layout, presentation or the education and reading habits of the readers and their familiarity with the subject. It is, however, a simple method for examining the level of difficulty of language structure. The Scale of Human Interest is based on the number of personal words and sentences in set sample passages. Again no account is taken of presentation, layout, nor of colour and illustration.

that form could not be understood by many people and would not appeal to most. Differences were, however, noted in the readability of the three publications. The style of 'Working for Prosperity',⁽¹⁾ the 'popular' form of 'The National Plan', was classed as "standard" - equivalent to a 'digest' magazine. 'The National Plan',⁽²⁾ itself was 'difficult' to read for any literate person and was the equivalent of an academic journal, while the readability of "Productivity, Prices and Incomes Policy in 1968 and 1969"⁽³⁾ was categorised as "very difficult", being of the standard of a scientific magazine. Despite slight differences among the three publications in terms of Flesch's Human Interest Scale all fell into the same category - "dull", the lowest possible rating on the scale.

The results of these tests on the government publications do not seem to be liable to increase the motivation of the private citizen to read this type of literature. While it would appear to be a problem even to motivate people to listen to or read about national issues it seems even more difficult to persuade than simply to inform.⁽⁴⁾

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- (1) Working for Prosperity : The National Plan in Brief, H.M.S.O., London, 1965.
 - (2) The National Plan, Cmnd.2764, H.M.S.O., London, 1965.
 - (3) Productivity, Prices and Incomes Policy in 1968 and 1969, Cmnd.3590, H.M.S.O., London, 1968.
 - (4) See Joseph Trenaman and Denis McQuail, Television and the Political Image, Methven, London, 1961, p.165.

If, however, a person's support for the prices and incomes policy can be increased simply by presenting information about the policy to him, then the Government could do more to facilitate the implementation of the policy. This could be done by seeing that the managers who implement the policy are more aware of the reasons for its introduction.

How could this be done? Certainly the mass media are likely channels of communication. A considerable difference in support for the policy was noted among the managers who kept informed through the mass media and those who did not pay attention to information passed on by these means. Clearly, the Government would have to find a way of presenting its message through the mass media in a more easily understood manner than in the past in order to catch the interest of the recipient. To ensure that managers are informed it would appear that the Government could not afford simply to leave the managers' level of comprehension to the mass media but would have to use the more direct method of ensuring managers vital to the implementation of the policy were fully supplied with information. As managers who did receive information on the policy at work were more inclined to support the policy than those who did not receive any such literature it would seem that more could be profitably done by the Government in this area. It would also seem that the problem of presenting the issues in a meaningful and interesting way to encourage the manager

to read any literature given to him would have to be resolved at the same time to increase the chances of the manager being willing to raise the level of his own knowledge about the issue of the moment.

It could be, however, that if the Government were to increase their output of information about the incomes policy to industry, much of this should be aimed at the older and more senior managers who were less enthusiastic about planning of incomes than other managers. Just under half of the 'top' managers preferred guidelines to free collective bargaining, while two-thirds of the middle managers had this preference. The younger managers were also more in favour of guidelines than the senior men.⁽¹⁾ Indeed, the under thirty age group divided three to one in favour of guidelines and the 31-40 year olds split two to one while the over fifties are almost equally divided between free collective bargaining and guidelines for income increases laid down by the Government. A possible explanation for the young managers more ready acceptance of guidelines may come from a study on price

(1) Experience in business life seems to have had little to do with the outcome as neither experience in pay negotiations, pay disputes nor the militancy of the trades unions in the managers' own firms had any clear relation with the preference for guidelines or free collective bargaining.

Table 5.3

Distribution of answers of 152 respondents to the question: "Why do you prefer some planning of incomes with guidelines laid down by the Government?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Collective bargaining is a free for all/is unfair/leads to inflation; the past history of collective bargaining shows it fails	96	35.6
The Government can see the whole situation unlike the parties to a collective agreement; only the Government can stop unreasonable demands/too much pressure being used	32	11.9
People are ignorant and have to be educated; people are selfish/greedy	16	5.9
Other answers	5	1.9
No answer given	7	2.6

(1) 4 of the 152 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 156 entries in the table.

images.⁽¹⁾ A younger person would accept a price for a certain commodity which his elders would consider exorbitant due to their first experience of the price of that commodity in their youth. In the same way it could be argued that the recent experience of growing state intervention in the labour market did not affect the younger man as he was more used to it than his seniors who could remember a more laissez-faire attitude being taken by the governments of their youth.

Did the respondents preferring guidelines feel that the intervention of the Government in the labour sector was necessary to preserve the national interest and to remove an out-moded system or did the managers prefer guidelines to free collective bargaining for some other reason? The evidence suggests that the respondents' preference for guidelines appeared to be essentially due to a lack of faith in collective bargaining (Table 5.3).

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- (1) See Hilde Behrend, Price Images. Inflation and National Incomes Policy. Scottish Journal of Political Economy, Vol.XIII, No.3, November 1966, p.279.
See also Dr. K.P. Kelvin 'What Sort of Incomes Policy' New Society, No.236, 6th April 1967, p.492 who shows that the younger members of his sample felt less inclined to believe that an incomes policy would mean too much Government interference in everyday life.

"Do you think an incomes policy is likely to mean too much government interference in everyday life?"

	Age Group		
	21-34	35-54	55+
Yes (too much government interference with everyday life)	48%	62%	52%
No (not too much government interference with everyday life)	43%	27%	32%
Don't know	9%	10%	16%

Table 5.4

Distribution of answers of 108 respondents to the question: "Why do you prefer a return to free collective bargaining?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Guidelines appear to be a form of dictatorship/are unfair; controls are disliked; guidelines are difficult to lay down	52	19.3
Bargains should be struck by market forces; free enterprise is the best method; free enterprise/market forces have worked well in the past	38	14.1
Other answers	11	4.1
No answer given	8	3.0

(1) 1 of the 108 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 109 entries in the table.

Almost two-thirds of the 152 managers who preferred guidelines gave as their reason a feeling that the system of collective bargaining was unsatisfactory. Most of the other respondents stated that guidelines enabled interests other than just those of the parties involved in the negotiations to be considered and felt that the consideration of purely narrow interests in free collective bargaining was one of the system's main shortcomings.

This rejection of free collective bargaining by about half of the total sample did not seem to be based on experience of bitter wrangles with trade unionists or employees in pay disputes as no relation was found between experiences of this sort and the opposition to free collective bargaining.

Turning to the 108 respondents who preferred free collective bargaining about half had this preference because they found faults with the idea of guidelines laid down by the Government (Table 5.4). In addition, several others preferred the collective bargaining system for the freedom it afforded them and felt that it had worked satisfactorily in the past. Since so many managers who preferred guidelines gave as the reason for their choice a rejection of collective bargaining and most of those who preferred collective bargaining seemingly did so because of their antipathy towards guidelines, perhaps neither alternative was believed to be satisfactory by management as a whole. A general feeling of unease with existing patterns of wage determination

seemed to exist. Perhaps managers believed that free collective bargaining does not consider wide enough issues but guidelines bring the state too far into the labour market.

Did the managers feel that a modification to the former system of collective bargaining could overcome the problems of an entirely free system of collective bargaining and fears of encroaching state control? To discover the respondents' feelings on this question they were all asked:

"Do you think that there is some way in which the national interest can be considered explicitly in the formulation of a collective bargaining agreement?"

On this issue the opinions of the managers were almost equally divided - 47.8% felt that the national interest could be considered in a collective bargaining agreement but an almost similar percentage (45.9%) did not consider this proposition feasible. Respondents who had experience of pay negotiations were more convinced that such a modification to the collective bargaining system could work than those who were not involved in negotiations at all. Just over half (51.3%) of those directly or indirectly involved in pay negotiations felt that the national interest could be considered in collective bargains compared with 39.5% of those who were not involved in pay negotiations. Managers' other experiences in the industrial relations sphere such as the

Table 5.5

Distribution of answers of 129 respondents to the question: "How can the national interest be considered explicitly in the formulation of a collective bargaining agreement between management and trade unions?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Both sides of industry need to co-operate to increase productivity/for the national interest	53	19.6
C.B.I./Management and T.U.C./Trade Unions or neutral bodies at national level must make sure the bargaining is in the national interest; bargaining should be conducted at the national level with the national interest being kept in mind	48	17.8
Other answers	13	4.8
No answer given	19	7.0

(1) 4 of the 129 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 133 items in the table.

level of militancy of the trade union in the firm and the occurrence of pay disputes made no apparent difference to the managers' assessments of the viability of the suggested change in collective bargaining.⁽¹⁾

To discover how the respondents believed the system of collective bargaining could be altered in order that the national interest could be considered the 129 managers who believed that this could be done were asked to suggest the modification to be made. Just under one-sixth of these 129 managers could not think of a way to accomplish this (Table 5.5). The remainder of these respondents were divided almost equally between two viewpoints. Some of the respondents who believed that the national interest could be considered by management and trade unions felt that the answer lay in both sides of industry 'co-operating to assist the country' or by working together to increase productivity. Others felt that the national interest should be determined and the agreement assessed at the national level - in most cases, respondents suggested, by a body outside the industry in which the agreement had been concluded.

Among the 124 managers who had opposed the proposition that pay negotiations should be conducted on this wider basis one pre-

(1) The older managers were slightly more convinced than the younger managers that the national interest could be considered in a collective bargaining agreement but no difference was noted in any other feature of the managers' backgrounds.

Table 5.6

Distribution of answers of 124 respondents to the question: "Why do you think the national interest cannot be considered explicitly in the formulation of a collective bargaining agreement?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Collective bargaining has never worked; management and trade unions only consider their own interests; distrust exists between management and trade unions	103	38.1
The Government can best decide the national interest	11	4.1
Other answers	4	1.5
No answer given	7	2.6

(1) 1 of the 124 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 125 entries in the table.

valent attitude emerged. These respondents were in the main opposed to collective bargaining altogether. When asked why they had felt that collective bargaining could not consider the national interest, no less than four out of every five of these 124 managers mentioned some serious flaw in the system of collective bargaining (Table 5.6). The blame for this was fairly evenly split, both management and trade unions were indicted due to the respondents' impressions that the parties to an agreement are only willing to consider their own interests.⁽¹⁾ A few other managers believed that only the Government could consider the national interest and accordingly no modification of collective bargaining between two parties would work.

To sum up, it would appear that the debate over the forms the bargaining system should take is far from over. Managers seem to be divided over the issue.⁽²⁾ Many managers did seem to prefer a change from the system of collective bargaining as it

(1) No relation was found between a manager's willingness to condemn just the Trade Unions and his experience in pay negotiations, pay disputes and the militancy (or otherwise) of the union in the manager's own firm.

(2) Only 38.8% of those preferring guidelines to free collective bargaining felt that the suggested modification to collective bargaining would work while three-fifths of those who preferred free collective bargaining were of this opinion. It is interesting to note that one-third (32.4%) of those preferring free collective bargaining felt that collective bargaining could not consider the national interest yet still preferred the system of free bargaining to guidelines laid down by the Government.

(1) See D.J. Robertson, *The Economics of Wages*, MacMillan, London, 1961, pp. 279-321 for a short discussion of the problems of changing the system of bargaining.

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 - (2) Only 38.8% of those preferring guidelines to free collective bargaining felt that the suggested modification to collective bargaining would work while three-fifths of those who preferred free collective bargaining were of this opinion. It is interesting to note that one-third (32.4%) of those preferring free collective bargaining felt that collective bargaining could not consider the national interest yet still preferred the system of free bargaining to guidelines laid down by the Government.

(1) See Dr. Robertson, *The Economics of Manpower*, Macmillan, London, 1961, pp. 229-230 for a short discussion of the problems of changing the system of bargaining.

used to be before the emergence of the incomes policies. The degree of change is the problem.⁽¹⁾ A suggestion that there should be a bargaining process somewhere between these two methods of wage determination with the parties to a collective agreement paying attention to the national interest, only succeeded in dividing the managers into two almost equal camps, one convinced that the proposition would not work and the other believing that the national interest could be considered by the bargaining parties. Even within the latter group agreement was not reached about the method to be used to ensure the national interest was considered in any bargaining process. While no overall consensus of opinion emerged a certain polarisation of viewpoints did seem to appear. Many managers seemed to believe that the Government should watch over the bargaining system while other respondents preferred autonomy in collective bargaining through fear of a surfeit of government interference in the labour market. In view of the dubiety over the role of the Government in the labour sector of the economy it was decided to ascertain how far the respondents as a whole felt changes to a system of 'free' collective bargaining should go. Did the managers, for example, believe that the Government should use powers of compulsion to ensure its policy was implemented or did they think a voluntary policy could be successful?

(1) See D.J. Robertson, The Economics of Wages, MacMillan, London, 1961, pp.229-230 for a short discussion of the problems of changing the system of bargaining.

Before the managers' views on the desirability of compulsory powers and the role of the prices and incomes policy in the future are discussed, however, it would appear to be relevant to see the respondents' frame of reference for their thoughts about these issues. Accordingly, Chapter 6 is concerned with the managers' views on the effect of the policy up to June 1968 and their opinions of the form of the prices and incomes policy in the future are discussed in Chapter 7.

Table 6.1

Distribution of answers of 270 respondents
to the question: "Do you feel that the Gov-
ernment's prices and incomes policy has
been successful to date or not?"

Classification of Answers	No. of Replies	Percentage of Total Sample %
Answers indicating that the respondent felt the policy had been unsuccessful	150	55.6
Answers indicating that the respondent felt the policy had been partially un- successful	4	1.5
Answers indicating that the respondent felt the policy had been successful	27	10.0
Answers indicating that the respondent felt the policy had been partially successful	68	25.2
Answers indicating that the respondent did not know whether or not the policy had been successful	21	7.7

CHAPTER 6RESPONDENTS' OPINIONS ABOUT THE SUCCESS AND BENEFITS
OF THE PRICES AND INCOMES POLICYThe Managers' Assessment of the Success of the Policy

If the prices and incomes policy was achieving its aims it could be expected that increased support for this measure might accrue among managers. Conversely, if the policy appeared to be failing to meet its objectives, then it could be assumed that some of its supporters would no longer give it the same strength of backing as they had in former times.

In view of the essential nature of the support of managers in the operation of the policy it would appear to be disturbing for the Government that, in response to the question: "Do you feel that the Government's prices and incomes policy has been successful to date or not?",⁽¹⁾ 57.1% of the sample felt that the policy had been unsuccessful and of these, merely a few thought that the policy had been unsuccessful in only part of its application (Table 6.1).

Indeed, only 10.0% of the managers said that the policy had been successful though many more stated that some of the policy's objectives had been achieved.

(1) The interviews were conducted between February and May 1968.

It could well be that a manager's preference for an incomes policy as opposed to a preference for collective bargaining led him to regard the effect of the policy more favourably. Certainly, far more managers who preferred guidelines laid down by the Government to free collective bargaining felt that the policy had been successful than those who chose the alternative.⁽¹⁾

Another factor apparently influencing answers to the question was that the respondents differed considerably in their beliefs of what constituted a 'successful policy'. Some managers seemed content that the policy made some people moderate their demands while others saw the mere fact of prices and incomes rising as evidence of the failure of the policy.⁽²⁾

While many different explanations were given for the view of the 95 respondents that the policy had been wholly or partially successful, two reasons predominated. Several of the respondents (19.9% of the total sample) believed that the use of the policy had kept down prices or incomes or both. Not one manager mentioned that the country's long term trading position had

(1) 44.1% of those who preferred guidelines thought that the policy had been successful or partially successful while only 23.1% of those who preferred free collective bargaining had the same opinion.

(2) H.A. Turner, The Progress and Poverty of Incomes Policy, Progress, Vol.52, No.292, 2/1967, p.35, states that the object of the policy is not to stop prices rising but just to stop them rising so fast that they disrupt the balance of payments and force the Government to hold back the economy on that account.

been affected in any way. A few other managers indicated that the policy had had an educational effect in enabling certain members of the public to see the economic problems facing Britain and encouraging these citizens to adopt a more moderate attitude towards their demands for income increases.

The opinion held by 38.9% of the total sample that prices and incomes had risen either independently or together was the most frequent explanation for the view of the 154 managers who considered that the policy had been wholly or partially unsuccessful.⁽¹⁾

In view of this explanation it is perhaps not surprising to note that 17.8% of the respondents believed that the reason for the policy's failure was that the Government could not control movements in prices and incomes.

The Respondents' Views on the Effect of the Policy on the Wages, Prices and Production of their Firms

(i) Wages

Why had prices and incomes risen? The interviewing had taken place during the period of the 'nil norm', the Government having stated that over the twelve month period beginning 1st July 1967, no-one could be entitled even to a minimum increase in pay.⁽²⁾

(1) See Appendix 28 for distribution of answers to the question: "Why do you feel that the Government's prices and incomes policy has been unsuccessful/partially unsuccessful?"

(2) See Prices and Incomes Policy after 30th June 1967, Cmnd.3235, H.M.S.O., London, 1967, p.5.

Had the respondents' firms done all they could to keep incomes down? In answer to the question: "Do you know if your firm has granted any wage claims since devaluation?", the distribution of answers was as follows:-

Wage increases have been given since devaluation	35.6%
Wage increases have not been given since devaluation	59.6%
Respondents did not know whether or not wage increases had been given since devaluation	4.8%

Not all the wage increases, however, were paid in defiance of the incomes policy. Many of the pay increases would normally have met with the approval of the N.B.P.I., having been consistent with the criteria for income increases in force at the time. Not enough was discovered about some of the other pay increases to enable comment to be made about the validity of the pay claims. Eighteen managers, however, stated that their firms had given pay increases to compensate for a rise in the cost of living.⁽¹⁾ These firms would appear to have been acting with disregard to a specific instruction in the latest White Paper which stated that individual increases should not include any element relating to the cost of living.⁽²⁾

(1) It was decided not to use the number of firms as a measure of support for or opposition to the policy as certain managers in some firms seemed not to know about wage increases or even tried to conceal them. Others may have felt wages had increased whereas in fact they had not. By using proportions of respondents as a measure it is hoped that any discrepancies will balance out but the evidence must only be interpreted in the light of this restriction.

(2) See Cmnd.3235, p.7, and Cmnd.3590, p.9.

As far as could be seen most firms seemed to be obeying the policy. This, however, could not be interpreted as a sign that the incomes policy had had a radical impact on the firms. Only 30.4% of the managers said, in reply to a question about their firms' general attitudes towards wage increases, that the policy would have a lasting effect on their firms' wage policies. This would seem to indicate that firms were not paying a great deal of attention to any long term lessons which might have been learned from the incomes criteria but rather that they were seeing the policy as more of a temporary measure.⁽¹⁾

Of the 82 respondents who stated that the prices and incomes policy had affected their firms' outlook on wage determination, a few could not even state what this effect had been.⁽²⁾ The other respondents did not reveal much evidence of drastic reforms in their firms' system of determining wages being initiated due to the policy. Some indicated that their firms seemed to be adhering to the Government's aims or showed caution in granting pay increases but gave no other sign of a major change in policy. Others seemed to feel that the effect of the policy was merely to keep the employees' incomes at their existing level in contradistinction to the firm developing some system of wage planning. Indeed,

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- (1) 10.7% of the managers did not know what kind of effect the policy had had on their firm's wage policy.
 (2) See Appendix 29 for the distribution of answers to the question: "What effect has the Government's prices and incomes policy had on the firm's thinking and planning of wages?"

only the firms of eighteen of the respondents seemed to have introduced any positive scheme of relating pay to productivity.⁽¹⁾

(ii) Prices and Production

To ascertain whether the respondents believed that price and wage increases were directly related in their firms, all the managers were asked what effect they thought the last pay award had had on their firms' profits. Two-fifths of the sample (39.3%) believed that profits had decreased and a slightly lower proportion (36.7%) were of the opinion that the pay increase had had no effect upon profits. Only twenty managers thought that profits had risen. The reasons for the wage increase having differing effects gave an insight into how the firms were trying to cope with increased wage costs.

Several answers revealed that some managements had a good grasp of what is essential for the country if Britain is to slough off the burden of her weak economic position. Prices, for example were not always increased to cover any increased wage payment; 26.3% of the sample stated that their firm's profits had fallen because their prices had not been increased, two-fifths of these explaining that strong competition had held prices down. While these answers appeared to be encouraging to anyone concerned

(1) Some firms, of course, may already have used criteria similar to those advocated by the incomes policy.

with the menace of inflation, 14.4% of the respondents admitted that price increases enabled their firms to meet a pay award without affecting profits in any way. (1)

Increased productivity was stated by 12.6% of the managers to have resulted in higher profits or to have enabled the firm's profits to remain constant despite the pay increase. Yet an almost similar proportion (11.5%) stated that the lack of increased productivity after the pay award was responsible for a drop in the level of profits.

The responses, therefore, were in part encouraging and in part disappointing to those looking for evidence of increased efficiency in industry. On the one hand the existence of increasing productivity and price competition gave an indication that the basis for a possible economic revival may be in existence. On the other hand there was only slightly less evidence among the managers' firms of productivity not increasing and a continued existence of cost-push inflation as prices were increased to enable profit margins to be maintained.

Managers' Views on what Industry can do to improve Britain's Economic Position

While many of the respondents' firms had not apparently ful-

(1) Only one of the respondents who stated that his firm's profits had increased after the last pay increase said that this had been due to increased prices.

filled all of the aims of the prices and incomes policy in the past, this did not imply that all managers felt that their firms could do nothing more to help the nation.

In answer to the question: "Can your firm do anything to improve the economic situation?", 78.5% of the respondents felt that there was something their firm could do to assist the country in its economic plight. Only one manager in every five believed that there was nothing his firm could do. Almost two-fifths (39.3%) of the total sample believed that their firms could raise their level of productivity.⁽¹⁾ In addition, 30.4% of all respondents stated that they felt their firms could increase exports.

Taking into consideration that a few managers were of the opinion that their firms could cut or retain prices at their present level and a few others felt that their companies could contribute to the drive to cut imports, the answers seemed to indicate that a great proportion of the managers felt that their firms could assist the country to meet the economic objectives laid down by the Government.

(1) W. Bernard Thulin, Productivity Guidelines Won't Work, Harvard Business Review, Vol.40, November/December 1962, pp.70-78, presents an argument, however, that productivity guidelines for wage increases will not prevent inflation.

W.R.C. Keeler, The Relationship of Plant Productivity Agreements to Incomes Policy, British Journal of Industrial Relations, Vol.V, No.1, March 1967, p.42, expresses a similar opinion.

The answers only showed what the managers thought their firms could do to improve the nation's economic situation and did not state a belief that their firms would undertake the policies mentioned. Most of the total sample (70.7%), however, thought that their firms would attempt to conduct their business in a way which would help the economic position of the country. 36.7% of the respondents were of the opinion that their firms would increase productivity, 28.5% felt that their firms would attempt to increase exports and a few others (4.1%) thought that their firms would refrain from increasing prices.

In all, the overall response seems to be indicative of a more enlightened view by management than has been evident in British industry to date. Whether or not the firms did implement the courses of action suggested by the managers is not known.

Turning to the 54 managers who felt that their firms could do nothing to help the nation's economic position, several explained that they considered their firms were not of a sufficient size to be able to make a significant contribution towards solving the country's economic problems. Others stated that their firms were already efficient or working as hard as they could.⁽¹⁾ Most

(1) "It is probably true that the chief impediment to a faster growth of the British economy is that we do not want it enough. Both management and labour and, more widely, people in general, do not attach such a priority to material progress as might lead them to great enough efforts to achieve the economic results for example of the United States, or Western Germany, or the Soviet countries." P.E.P., Growth in the British Economy, Allen and Unwin, London, 1960, p.XI.

of the remainder of these respondents felt that, as their firms did not export, there was little that they could do to help the nation.

Many of these answers seemed to indicate either self-satisfaction or a failure to understand the good that increased efficiency and both increased exporting and reduced importing could do for the country. A check on the 54 managers' comprehension of the policy confirmed that few of them really understood the economic problems facing the nation and the incomes policy itself. Only 11.1% of these managers had an above or much above average comprehension assessment rating while the comprehension of 35.2% of this group was below or much below average.

Should all Firms be bound by the Prices and Incomes Policy?

In answer to the question: "While the country has a prices and incomes policy, do you think it ought to apply to all firms or should some be exempt?", few managers suggested that any firms should be exempted from the prices and incomes policy in order to follow any course to improve their own or the nation's economic position. On the contrary, the vast majority of the respondents (88.1%) felt that all firms should be bound by the policy, mainly because of a feeling that the policy would not be generally acceptable if a few firms were outwith its scope. Not only was it felt that the respondents' own firms might have been at a commercial disadvantage to others not bound by the policy but also

Table 6.2

Distribution of answers of 238 respondents to
the question: "Why do you think the prices and
incomes policy should apply to all firms?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
To make it fair/equal for all; there cannot be rules for one group and not for the other	61	22.6
The policy will not work/will dis-integrate if there are exemptions	41	15.2
Respondents/Government could not find any valid reasons for exemptions	40	14.8
We are all in this together; this is a national problem	37	13.7
If there are exemptions ill-feeling will exist	19	7.0
People will try to get past the exemptions/move to other firms/slip through the loopholes	16	5.9
Those who are exempt will benefit over others	11	4.1
No answer given	14	5.2

(1) 1 manager mentioned two items separately and these have been recorded as separate items. There are, therefore, 239 entries in the table.

it was believed that the interests of the nation would not be considered by those exempted from any restraints (Table 6.2).

The 27 managers who believed that some firms should be freed from any restrictions of the prices and incomes policy suggested mainly two types of firms for this exemption - firms in the export field and small concerns.

Respondents' Views on the Benefits and Disadvantages of the Incomes Policy for the Firms and the Manager

While most managers felt that all firms should be bound by the prices and incomes policy many of them did not consider this to be a great hardship for their firms. 57.8% of the respondents believed that the prices and incomes policy was useful to their companies although 31.4% did say that the policy gave no advantage to their firms.

About one quarter of all respondents (26.3%) believed that the policy assisted their firms by laying down pre-requisites before pay increases could be granted.⁽¹⁾ In addition, 17.4% of the respondents thought that their firms' prices were kept down by means of the policy and other managers stated that the policy had a beneficial effect on their firms' productivity, profits and costs of the factors of production. Thus the policy seems to have

(1) See Appendix 30 for the distribution of answers to the question: "What advantages, if any, are there for your firm in the Government's pursuance of a prices and incomes policy?"

Table 6.3

Distribution of answers of 270 respondents to the questions: (a)"How do you think a successful prices and incomes policy would affect your work as a manager?" and (b)"How do you think a successful prices and incomes policy would affect you as a private citizen?"

Classification of Answers	No. of Replies	Percentage of Total Sample $\frac{\%}{2}$
<u>(a) As a Manager</u>		
Answers indicating that the respondent felt that his work would be made easier	136	50.4
Answers indicating that the respondent felt that his work would not be affected	66	24.4
Answers indicating that the respondent felt that his work would be made more difficult	29	10.7
Answers indicating that the respondent did not know what effect the policy would have	39	14.4
<u>(b) As a Private Citizen</u>		
Answers indicating that the respondent felt that he would be better off	141	52.2
Answers indicating that the respondent felt that he would not be affected	71	26.3
Answers indicating that the respondent felt that he would be worse off	24	8.9
Answers indicating that the respondent did not know what effect the policy would have	34	12.6

been found useful by a good proportion of the managers.

Furthermore, exactly half of the respondents believed that the policy resulted in no disadvantages to the firm. Any disadvantages which were mentioned were normally concerned with the incomes side of the policy such as the problem of rewarding men for good service or the dangers of dissatisfaction or even labour turnover among the labour force when claims for increased pay were rejected. Only a few complaints were concerned with the restraints on price increases.⁽¹⁾

In addition to many managers saying that the policy did not hinder the firm in any way and several believing it to be a positive advantage, it seemed that a manager's job could be facilitated by the policy. Half of the sample believed that their work would be made easier if the Government's prices and incomes policy were to be successful. Only about one manager in every ten thought that the policy would make his job more difficult (Table 6.3). Not only did half of the managers believe that the policy would assist their work but slightly more felt that they would be better off as a private citizen if the prices and incomes policy were to succeed. Again, only a few (8.9%) felt that it would be to their disadvantage if the policy were to achieve its objectives.

(1) See Appendix 31 for distribution of answers to the question: "What disadvantages, if any, are there for your firm in the Government's pursuance of a prices and incomes policy?"

To summarise, the overall impression created by the evidence in this chapter is mixed. As far as the managers were concerned the policy would appear to have been considered by them to be of benefit both to themselves and to the firm. Yet most of the managers felt that the prices and incomes policy was largely unsuccessful and respondents mentioned instances of prices rising, productivity not increasing and a few cases of incomes being increased for reasons not approved by the Government. On the credit side, instances of prices being retained at their existing levels and productivity increases were recorded. Further encouraging signs for Britain's economic future were the realisation of what firms could do to assist the nation and an indication that in most cases the respondents believed that their firms would attempt to play their part in solving some of the country's economic problems.

Table 7.1

Summary of the distribution of answers of 224 respondents to the question: "Why do you think a prices and incomes policy cannot be successful on a voluntary basis?"(1)

Summary of Classification of Answers	No. of Replies	Percentage of Total Sample %
Answers indicating that people's selfishness, ignorance, varying ideas of values and lack of confidence in the voluntary principle will prevent the policy being successful on a voluntary basis	122	45.2
Answers indicating that people's unwillingness to co-operate or to accept the policy will prevent the policy being successful on a voluntary basis	91	33.7
Answers indicating that inequities in the relative position of price and income levels will prevent the policy being successful on a voluntary basis	14	5.2
No answer given	4	1.5

(1) 7 of the 224 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 231 entries in the table.

CHAPTER 7RESPONDENTS' VIEWS ON COMPULSORY POWERS AND
THE ROLE OF THE GOVERNMENT IN PRICE AND IN-
COME DETERMINATIONRespondents' Views on a voluntary or a compulsory Prices and
Incomes Policy

Since July 1966, despite the proposal by the Trades Union Congress to organise its own voluntary incomes policy, the Government has considered statutory powers to be necessary to attain the prices and incomes policy's objectives.

Could the prices and incomes policy be successful on a basis of voluntary restraint by management and trade unions? The finding of this survey was that the vast majority (83.0%) of the managers felt that the policy could not be successful on a voluntary basis. Only a small minority (16.3%) disagreed with this viewpoint, stating that a voluntary policy could succeed if a more selfless and co-operative attitude was adopted by management, other employees and the trade unions.

On the other hand, almost all of the explanations for the 224 managers' belief that a voluntary policy could not succeed concerned either people's unwillingness to co-operate with the policy, their selfish motives or ignorance (Table 7.1). Most of the few remaining answers indicated that some people would not accept the policy unless certain conditions were met beforehand, such as the rise in prices being arrested or inequities in the

level of certain incomes being resolved.⁽¹⁾

Did the respondents who felt a voluntary policy could not be successful believe that compulsory powers were necessary to achieve the policy's objectives? To check this, the managers were asked:

"In general, do you think it is essential for the Government to have compulsory powers for a prices and incomes policy to operate successfully?"

Once again the managers overwhelmingly expressed their lack of confidence in any policy of a voluntary nature. The vast majority (80.7%) of the sample felt compulsory powers were necessary for the policy to operate successfully,⁽²⁾ while only 17.8% of the managers held the opposite viewpoint.⁽³⁾

The findings would appear to be encouraging for the members of the Government who may be concerned about the acceptability of powers to enforce the policy. However, they should not be inter-

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- (1) See Appendix 32 for the distribution of answers to the question: "Why do you think a prices and incomes policy cannot be successful on a voluntary basis?"
 - (2) Most managers (85.0%) who believed that compulsory powers were essential for the prices and incomes policy also said ~~that~~ the policy would not work on a voluntary basis. On the other hand 26 managers revealed inconsistencies in their answers as not only did they feel compulsory powers were essential if the policy were to work successfully but also they felt a policy on a voluntary basis could be successful.
 - (3) See Appendix 33 for the distribution of answers to the question: "Why do you think it is essential for the Government to have compulsory powers for the prices and incomes policy?" The 48 managers who said that controls were not essential stated simply that controls were disliked and a free bargaining system to determine prices and incomes was preferred.

preted as meaning that managers on the whole approved of legislative powers of enforcement. Indeed, just over half of the sample (52.6%) disapproved of the Government having compulsory powers for a prices and incomes policy,⁽¹⁾ and only 44.8% of the respondents approved of these powers.

The difference between managers feeling that compulsory powers are necessary and approving of these powers is clearly shown below.

Table 7.2

Comparison of answers to the questions:
(a) "Do you think compulsory powers are essential for the policy to operate successfully?" and (b) "Do you approve of compulsory powers?"

Classification of Answers	No. of Replies	Percentage of Total Sample %
Respondents who said that compulsory powers were essential for a prices and incomes policy to operate successfully	218	80.7
Respondents who said that compulsory powers were not essential for a prices and incomes policy to operate successfully	48	17.8
Respondents who approved of compulsory powers	121	44.8
Respondents who disapproved of compulsory powers	142	52.6

(1) For a comparison with a nationally representative sample, see Hilde Behrend et al., Incomes Policy and the Individual, Oliver & Boyd, Edinburgh, 1967, p.23, who found that 37.3% of the sample approved of compulsory powers over pay after July 1967 and 69.1% approved of government powers to control prices after July 1967.

The issue of compulsory powers would appear to be connected with a manager's preference for either an incomes policy or a system of free collective bargaining as only 24.1% of the managers who expressed a preference for free collective bargaining approved of the use of compulsory powers compared to 58.6% of those who preferred Government guidelines.

The level of knowledge about the incomes policy shown by the manager did not affect his approval of compulsory powers as the views for or against the powers were divided in similar proportions in most of the comprehension assessment rating groups.

One factor which could affect a manager's attitude towards compulsory powers appeared to be the individual manager's experience in the industrial relations field. Of those who described the trade unions in their firm as 'militant', 58.5% approved of the Government having compulsory powers - a figure fifteen percentage points higher than that of the group of managers who described the union concerned with their firms' employees as being 'fair' or 'doing little'. Another indication that a manager's bitter experience in industrial relations might be linked with his approval of compulsory powers was given by the fact that 50.9% of those who had direct or indirect experience of pay disputes approved of compulsory powers, while only 41.7% of those

(2) See Appendix 34 for the distribution of the respondents' reasons for their approval of compulsory powers.

(3) See Appendix 35 for the distribution of the respondents' explanations of why they disapproved of compulsory powers.

who had no involvement in pay disputes held the same view.⁽¹⁾

Many of the explanations for approval of the compulsory powers seemed to indicate a belief that people would put their own interests before those of the nation if compulsory powers did not exist.⁽²⁾ About half of the 121 managers who approved of the use of compulsory powers believed that the policy would not succeed unless a guiding hand controlled its implementation. Most of the remaining explanations were concerned with the human frailties of greed, selfishness or unwillingness to co-operate with the policy, and expressed approval of powers to prevent unfair advantage being taken by any section of the community.

On the other hand the vast majority of the 142 managers who disapproved of enforcement of the policy did so because they felt that compulsion was undesirable or that free enterprise was preferable.⁽³⁾ Only a few gave different reasons for their answers, explanations indicating that the policy would fail because the Government was using the wrong type of approach to solve the

(1) Unfortunate experiences in industrial relations would seem to have some effect on the managers' views on compulsory powers. Similar results were observed when analysing the answers to the question on whether compulsory powers were essential for the prices and incomes policy.

90.2% of the managers who described the unions concerned with their firms' employees as 'militant' felt that compulsory powers were essential whereas only 78.4% of those describing the unions involved with their employees as 'fair' or 'doing little' had the same opinion. Similarly 82.3% of those involved directly or indirectly in pay disputes felt compulsory powers were essential, a figure almost seven percentage points higher than those with no involvement in pay disputes.

(2) See Appendix 34 for the distribution of the respondents' reasons for their approval of compulsory powers.

(3) See Appendix 35 for the distribution of the respondents' explanations of why they disapproved of compulsory powers.

country's economic problems.

The Managers' Ideas on Sanctions or Incentives

Could the respondents suggest a way in which the Government could reduce opposition to the policy and make the policy more successful without forcing people to obey it? To make the respondents face the type of problem encountered by the Government in implementing the prices and incomes policy, they were asked:

"What, if anything, do you see as the chief obstacle to the effective working of the Government's prices and incomes policy?"(1)

Four obstacles in the way of the policy's success were mentioned. No less than 50.4% of the sample felt that unwillingness to co-operate with the policy would be the big stumbling block to the success of an incomes policy, and 35.2% of the respondents believed that selfishness and greed would play a large part in inducing people to frustrate the Government's intention. Much smaller groups of managers believed either that both inequalities in the level of incomes paid to certain occupations and the differing effects of price rises on certain individuals would prevent the policy from working effectively or that the major obstacle to success would be the inability of the Government to produce an effective policy.

(1) See Appendix 36 for the distribution of answers to this question.

Table 7.3

Distribution of answers of 256 respondents
to the question: "What could be done to
prevent the obstacle you named from ob-
structing the effective working of the in-
comes policy?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Better or more forceful control ought to be applied to enable the incomes policy to succeed	84	31.1
A change in the attitudes towards the policy or an increase of knowledge about the policy is necessary to en- able it to succeed	50	18.5
Changes in industrial practices of labour relations and payment methods are necessary before the policy could be successful	32	11.8
Nothing can be done to enable the policy to work effectively	23	8.5
Other answers	43	15.9
No answer given	44	16.3

(1) 20 of the 256 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 276 entries in the table. (14 managers mentioned no obstacle to the effective working of the incomes policy and consequently these managers were not asked this question)

To discover whether the managers had their own answer to people's reluctance to obey the policy the 256 respondents, who had mentioned an obstacle to the effective working of the prices and incomes policy, were asked:

"What could be done to prevent this happening?"

In reply, 31.1% of the total sample felt that the Government should tighten up the policy, make the policy more severe or control the existing policy more firmly. 18.5% of the managers opposed this view, considering that the answer to the problem lay more in presenting the economic difficulties facing the country to the general public and fostering more public spirit to achieve a higher level of self-sacrifice and co-operation with the policy (Table 7.3). These two ideas are almost diametrically opposed to each other, showing the wide divergence of opinion existing on the question of how to achieve the economic objectives of the Government. On the one hand there is the more authoritarian system of imposing the Government's will from the top and, on the other, the perhaps more enduring method of the decision to co-operate being fostered at the grass roots, a method long advocated by several management theorists.⁽¹⁾

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- (1) See, for example, James D. Mooney, The Principles of Organisation, Harper and Brothers, New York, 1939, p.181, OR Mary P. Follett, The Giving of Orders, in Freedom and Co-ordination, Management Publications Trust Ltd., London, 1949, pp.16-33, OR
 (2) Luther Gulick, Notes on the Theory of Organisation, in L. Gulick and L. Urwick, Papers on the Science of Administration, Institute of Public Administration, New York, 1937, p.6.

A small group of managers had an entirely different approach. These respondents felt that the answers to the country's problems lay in improving industrial practice both in the sphere of industrial relations and in the methods of wage payment. Changes seem to be coming in both of these closely linked fields. The N.B.P.I., for example, has given repeated reminders that pay awards should invariably be linked with some increase in productivity. In addition, the Government seems determined to initiate changes in the system of industrial relations by implementing some of the proposals of the White Paper⁽¹⁾ published after the Donovan Report on Trade Unions and Employers' Associations.⁽²⁾

Not all managers were able to suggest ways of overcoming obstacles to the policy's success. One quarter of the total sample were unable to suggest answers to the problems which, presumably, they expect the Government might have to face eventually if it hopes its incomes policy will succeed. Some even felt that nothing could be done. For example:

"Nothing - you can't stop some trade unions being militant"

"In cases where large quantities are involved, it's easy but with small quantities it's difficult. You can't catch the newsagent if he puts his prices up"

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- (1) See In Place of Strife - A Policy for Industrial Relations, Cmd.3888, H.M.S.O., London, 1969.
 (2) Report of the Royal Commission on Trade Unions and Employers' Associations, 1965-1968, Cmd.3623, H.M.S.O., London, 1968,

Table 7.4

Summary of distribution of answers of 270 respondents to the question: "Given that most firms co-operate, what do you think should be done about any firm or the managers of the firm, if the firm deliberately disobeyed any Government order forbidding the firm to pay a wage increase?"(1)

Summary of Classification of Answers	No. of Replies	Percentage of Total Sample $\frac{\%}{2}$
Answers indicating that the firm should be fined	118	43.7
Answers indicating that no action should be taken	51	18.9
Vague answers indicating that the Government should 'take action' or 'prosecute'	26	9.6
Answers indicating that the Government should take direct action against the firm such as holding back grants, tax allowances or should even close the firm	22	8.1
Answers indicating that the firm's management or directors should be fined or imprisoned	16	5.9
Answers in which the respondent said he did not know what could be done and no answer given	51	18.9

(1) 14 of the 270 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 284 entries in the table.

"Nothing - you'd have to control everything, even the movement of labour"

From the answers given in Table 7.3, it can be seen that all managers did not entirely agree with the use of compulsion to attain the Government's ends. How then did the respondents feel the Government should deal with any firms who refused to obey the policy? To discover what the managers believed should be done, all of them were asked:

"Given that most firms co-operate, what do you think should be done about any firm or the managers of the firm if the firm deliberately disobeyed any Government order forbidding the firm to pay a wage increase?"(1)

In reply to this question, 43.7% of the total sample felt that the firm should be fined, about half of them stating that the fine should be severe (Table 7.4). Other respondents felt that the Government should penalise the firm by stopping Government contracts or taking over the firm.⁽²⁾ Only 16 managers felt that a company's officials should be punished, ten of them mentioning that the recalcitrant executives should be imprisoned.

Not all the managers, however, approved of penalties being imposed on firms or their managers. 18.9% of them felt no action

(1) See Appendix 37 for the distribution of answers to this question.

(2) Another remedy is suggested by John Corina, The Development of Incomes Policy, Institute of Personnel Management, London, 1966, p.47, who suggests the use of a payroll tax as a sanction against recalcitrant firms.

should be taken if a Government order was disobeyed. The same percentage of respondents found the problem very difficult and were unable to say what should be done.

The impression was created during the interviews that some of the managers may not have liked the idea of the policy affecting their firms and this might have influenced their answers to the above question. How then would they react if the policy affected them personally? To discover the managers' views about this, they were asked:

"What would be your reaction if the Government attempted to stop a pay increase being given to you by the firm?"

The following distribution of answers was given:

Managers who would approve of a restraint on their own pay increase	51.9%
Managers who would disapprove of a restraint on their own pay increase	40.0%
Managers who indicated that they would attempt to avoid the restraint on their own pay increase	4.1%

While a majority of the managers indicated that they would accept their pay increase being stopped by the Government, several of them qualified their acceptance of the restraint by indicating that they would be content only if prices did not rise or if the restraint was applied to everyone or felt to be in the national interest.

Those who disapproved of any control being imposed on a pay

increase given to them by the firm were on the whole more outspoken. Many of them expressed extreme disapproval of any move the Government might make to stop their pay increase. Eleven managers even went so far as to suggest that they would get an increase in pay no matter what the Government did, For example:

"I wouldn't accept it - there are always loopholes if you're on the management side"

"I wouldn't put myself in that position - there are one thousand ways round it"

"I'd just look for another job and get my increases that way"

This type of statement was, however, generally made by managers in small firms.

The Type of Prices and Incomes Policy the Respondents would like to see in the Future

Turning from the issues of compulsory powers and sanctions, the managers' views were sought on the future role of the Government in the determination of prices and incomes.

In reply to the question: "How would you like to see the prices and incomes policy used in the future?", the distribution of the managers' replies to a choice of three answers was as follows:

A permanent mechanism for determining movements in prices and incomes	38.9%
A temporary measure to be used at times of economic crisis	48.1%
A policy which ought never to be used	11.9%

It can be seen from these answers that a great proportion of the managers appeared to think that there was a definite use for a prices and incomes policy in the future. This would seem to be an indication that there might not be a great deal of opposition from management to a prolonging of the policy until Britain recovered from her economic ills and possibly not too much opposition to a continuation of the policy beyond that time.⁽¹⁾

After being asked the question on the type of prices and incomes policy they would like to see in the future, the respondents were handed two cards on which were printed a limited choice of answers and were asked:

- (a) "How do you feel about the role of the Government and its policy on prices?"(2)
- (b) "How do you feel about the role of the Government and its policy on incomes?"

The distribution of answers to these two questions was as follows:

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- (1) Once again an indication was given that a good understanding of Britain's economic problems and the incomes policy itself leads to support for such a measure. See Appendix 38 which shows that more of those with a higher than average level of comprehension of the policy than those with a lower level of comprehension favoured the idea of the prices and incomes policy being a permanent feature of British economic life.
 - (2) A few managers gave two conditional answers. For this reason, more than 270 answers were recorded in reply to each question.

	Over Prices %	Over Incomes %
The Government needs to take more control	44.4	30.4
The Government needs to take the same control as at present	21.1	31.9
The Government needs less control	13.3	14.1
The Government needs to have no control	22.2	24.1

The figures showed that the respondents' views differed on the use of controls on prices and incomes in the future. Many more respondents believed that the existing controls on prices should be made more severe than thought that restraints on income increases should be tightened. Even so, both in the case of prices and of incomes over three managers in every five said that the Government's controls should be increased or left at their existing level.

The respondents with opposing views on controls - on the one hand those preferring controls to stay at their existing level or to be increased and, on the other, those who would like the powers to be removed - were largely consistent in their views on price and income controls. The vast majority (88.7%) of those who felt that price controls should be increased or left at the same level as before had similar views with regard to income controls and 73.3% of those who believed that price controls should be abolished said that there should be no controls on incomes.

The reasons for the managers' views on restraints on price and income increases revealed once again the polarisation of opinion on the Government's role in price determination and wage bargaining.

While a variety of explanations were given for their views many respondents (25.2% of the total sample) declared that controls on prices should remain at their existing level or should be increased because the cost of living was rising.⁽¹⁾ The other explanations seemed to indicate either a belief that unless controls do exist prices would rise or a feeling that the existing controls would suffice but would have to be used more frequently.

Similar explanations were given for the respondents' preferences for the controls on incomes being either increased or retained at their existing level, the main one, given by 26.7% of the sample, being that these controls were necessary if the policy were to succeed. Only six managers stated that wages were rising - a marked contrast to one quarter of all respondents feeling that prices were being raised.⁽²⁾

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- (1) These managers were not alone in their view that price controls were not as successful as they could have been. Aubrey Jones, in an interview in The Sunday Telegraph, March 16th, 1969, stated that he felt prices had been the neglected part of the prices and incomes policy.
- (2) Figures from Employment and Productivity Gazettes reveal that prices (index of retail prices) rose by 5.3% from July 1967 to July 1968 while average earnings (index of average earnings for all industries and services) rose 6.9%.

Table 7.5

Respondents' stated preferences for the future role of the prices and incomes policy set against (a) their stated preferences for controls on prices in the 'forceable future' and (b) their stated preference for controls on incomes in the 'forceable future' (1)---

Stated preference of the future role of a prices and incomes policy	Stated preference for controls in the 'forseeable future'					No. in group
	should be increased %	should be maintained %	should be reduced %	should be abolished %		
	(a) Price Controls					
A permanent mechanism for determining movements in prices and incomes A temporary policy to be used at times of economic crisis A policy which ought never to be used	53.3	26.6	8.6	9.5	105	
	43.1	21.5	18.5	20.8	130	
	25.0	0	9.4	68.8	32	
A permanent mechanism for determining movements in prices and incomes A temporary policy to be used at times of economic crisis A policy which ought never to be used	(b) Income Controls					
	41.9	36.2	8.6	10.5	105	
	24.6	34.6	19.2	24.6	130	
	18.8	6.3	12.5	65.6	32	

(1) Several managers gave two separate replies to the question on the future role of prices and incomes policy and also to the question on the future of prices and incomes controls. Managers who gave no answer to any of these questions have been omitted from the relevant parts of the table.

One prevalent reason was found among the many explanations given by the 96 respondents for their views that price controls should be reduced or abolished. No less than 24.4% of the total sample declared that controls were disliked or that free enterprise was a better system. This reason was identical to that given most frequently in explanation of the view of 103 managers that the Government should have reduced or have no control over incomes. In this case 21.8% of the total sample said the controls were unpopular or that market forces were preferred to Government "interference".

When the managers were asked the questions on prices and incomes controls it was stressed that the managers' views should be given in the light of how they foresaw the future. Thus, when the answers to the questions on prices and incomes controls are compared to the respondents' opinions of the future role of the prices and incomes policy an idea is obtained of the managers' views on possible future developments in the utilisation of such a policy. The result of the comparison is shown in Table 7.5.

The general impression given by the table is that the majority of the respondents did seem to approve of a policy at least as severe as that in existence at the time of interviewing. 62.2% of all the respondents preferred a permanent or temporary policy with increased or the same controls as were in force during the first half of 1968 applied to price increases. A

similar proportion (58.9% of the total sample) preferred a permanent or temporary policy and said that controls on incomes should be tightened or retained at their existing level.⁽¹⁾

Respondents' Opinions on the Possibility of a different Way of administering the Prices and Incomes Policy

In the context of the type of prices and incomes policy the managers would prefer in the future, it appeared to be relevant to discover whether managers would prefer some body other than the Government to control the policy. Accordingly the managers were asked:

"Are there any bodies other than the Government who you feel could be capable of controlling a prices and incomes policy?"⁽²⁾

Opinions were divided on this question; 49.6% of the respondents believed that no organisations other than the Government were capable of controlling a prices and incomes policy, while 47.4% stated that another body could take over the Government's admini-

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- (1) 7.8% of the total sample who said that this policy should never be used were also of the opinion that price and income controls should be abolished. Also, from Table 7.5 it can be calculated that 41.5% of all respondents favoured a temporary or permanent prices and incomes policy with increased controls on prices. 28.1% of the sample favoured a temporary or permanent prices and incomes policy with increased controls on incomes.
- (2) See Appendix 39 for the organisation which the respondents felt could be capable of controlling a prices and incomes policy.

stration of the policy.⁽¹⁾

Just under half of the 128 managers who felt that another organisation could organise the operation of such a policy suggested that this body should be a trade union-employer combine. Most of these managers felt that the combination should be at national level and consist of a committee of trade union and employers' association leaders. A few others, however, believed that each industry's prices and incomes should be controlled by employers and trade union leaders connected with the individual industry. The only other organisations suggested by more than just a handful of respondents as being capable of operating the policy were the Trade Unions or the Employers Federations acting independently of each other.⁽²⁾

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- (1) An interesting aspect of these answers was that 43.3% of those who preferred guidelines felt that another body could be capable of controlling an incomes policy as well as over half (52.8%) of those who preferred free collective bargaining. This could possibly give an indication that the latter group's objection to an incomes policy could be the fact that the Government is in control of it and thus, if another body administered the policy, the opposition might possibly be lessened.
- (2) Many (29.6% of the total sample) of the 128 managers who felt that some other body could fulfil the Government's present function in supervising the prices and incomes policy said that they would prefer the policy to be controlled by this organisation rather than the Government. This meant that 10.7% of the sample, while favouring a permanent prices and incomes policy, would prefer that this policy was organised by a body other than the Government and 14.1% of the sample who preferred a temporary policy would like to see an organisation outwith the Government control the policy.

The issue of the ideal administration for the prices and incomes policy certainly seemed to cause a diversity of opinion. A more specific question produced no greater consensus. In reply to the question: "How do you feel about the idea that a tripartite council composed of T.U.C. members, C.B.I. members and neutral members (eg. academics or judges) should take over the responsibility for an incomes policy rather than the Government?", just over half (55.1%) of the managers said that they approved of this suggestion and 43.3% of the respondents opposed it.⁽¹⁾

To sum up the findings of this chapter, it could be seen that there was a difference of opinion among the respondents about the Government's role in determining price and income increases and the future of the prices and incomes policy.

The respondents did not, in general, regard the compulsory provisions in the Prices and Incomes Acts as an unnecessary tyranny. The vast majority of the sample felt that statutory powers were necessary though just over half of the managers did not approve of compulsory powers being held by the Government to enforce the prices and incomes policy.

On the whole, respondents' views regarding the foreseeable future of the policy, favoured a policy at least as tough as the one existing at the time of interviewing (February - May 1968).

(1) See Appendix 40 for the respondents' reasons for disapproving of the tripartite body.

Their views differed, however, on the issues of whether the prices and incomes policy should be a permanent or temporary feature of British economic life and whether the Government or some other organisation should administer the policy.

Managers' Views on the Relation of the Cost of Living to the Level of a Person's Income

The White Papers, in laying down the criteria for exceptional pay increases for the period during which the interwar boom took place, stated that individual pay rises should not include any element relating to the cost of living.⁽¹⁾ This was not a new idea; writers for many years have been stressing the futility of giving a wage increase to compensate for a rise in the cost of living.⁽²⁾ Their warnings, however, did not apparently hold much significance for the respondents since the majority (69.3%) felt that incomes should be increased if the cost of living were to rise.⁽³⁾

(1) See Cmd. 3235, p.7, and Cmd. 3590, p.9.

(2) See, for example, John Maynard Keynes, How to Pay for the War, Macmillan, London, 1940, pp.6-7, and Henry Smith, Problems of Fixing Incomes, Lloyd's Bank Review, No.79, January 1946, p.32.

(3) 30.4% of the managers said that incomes should not be related to the cost of living.

CHAPTER 8RESPONDENTS' VIEWS ON THE COST OF LIVING AND COMPARABILITY
AS DETERMINANTS OF INCOMES

As a further insight into the respondents' acceptance of the incomes policy their views were sought on the Government's requests that less regard should be paid to the criteria of the cost of living and general comparability to determine income increases.

Managers' Views on the Relation of the Cost of Living to the
Level of a Person's Income

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(1) See Cmnd.3235, p.7, and Cmnd.3590, p.9.

(2) See, for example, John Maynard Keynes, How to Pay for the War, Macmillan, London, 1940, pp.6-7, and Henry Smith, Problems of Planning Incomes, Lloyds Bank Review, No.79, January 1966, p.32.

(3) 30.4% of the managers said that incomes should not be related to the cost of living.

It was the managers in the smaller firms who were more in favour of a pay increase if the cost of living were to rise. 74.3% of the respondents employed by small and smaller medium firms were in favour of such a pay increase compared with 61.2% of those in large and larger medium sized firms.

There also was an age difference; 75.2% of those below 40 years of age supported the idea of pay increasing to compensate for a rise in prices compared with 63.9% of the over forties.

These results might possibly have been due to the managers in smaller firms receiving lower incomes than their counterparts in large firms and the younger managers receiving a lower level of remuneration than their seniors. Those with a higher propensity to consume most of their income (usually those with lower rather than higher incomes) could reasonably be expected to feel the reduction in their real incomes more than those with higher salaries.⁽¹⁾

As regards comprehension there was an inverse relationship, namely the less a manager understood about the prices and incomes policy the more likely he was to feel that an increase in pay should be awarded if the cost of living were to rise. 87.0% of those with a below or much below average comprehension assessment rating approved of such a pay increase compared with a much lower percentage (58.5%) of those with an above or much above average

(1) No information on the managers' salaries was obtained.

comprehension assessment rating.

Of the 187 managers who believed that a pay rise should be given in response to an increase in the cost of living, 147 respondents (54.4% of the total sample) held this opinion because they felt that no-one's standard of living should be allowed to fall. Thus it would appear that not only is there a feeling that a monetary wage rate cannot be cut⁽¹⁾ but also many managers appear to believe the real wage must remain inviolate.

This did not mean that all of the 187 managers who approved of a pay rise being given if prices were to rise were entirely oblivious of the problems such a pay increase could create. Indeed, on being asked why the Government disapproved of the cost of living being used as a criterion for pay increases, 92 of them (34.1% of the total sample) mentioned that such increases could be inflationary or affect the balance of payments adversely.

Of the 82 managers who opposed the idea of pay rises being related to cost of living increases the majority appeared to have reached their opinion because of the inflationary tendencies of such pay increases, several of them adding that income rises should be determined by productivity alone.

(1) See, for example, Julian Symons, The General Strike, Cresset Press, London, 1957, p.9, and, as applied to piece rate systems, Norman C. Hunt, Methods of Wage Payment in British Industry, Pitman, London, 1951, p.43.

Thus, although most of the sample of managers believed pay increases should be given to compensate for rises in prices a majority of the respondents (59.3%) could at least understand the damaging effect such increases could have on inflation, on the balance of payments or on the country's economic prospects.

Managers' Views on the Criterion of Comparability for Determining Pay Increases

In addition to disapproving of pay increases being given to offset rises in the cost of living, the Government also stated that "less regard should be paid to such factors as general comparisons with incomes in other employments!"⁽¹⁾ This statement appeared to be acceptable to the majority of the managers; 59.3% of the sample agreed with the Government's view while 34.8% opposed any restraint on the use of general comparability to determine pay increases. The Government's statement would, however, appear to be confusing since the "seriously out of line with the level of remuneration for similar work" criterion for exceptional pay increases suggested that comparisons should not be ignored altogether. A later White Paper did attempt, rather unsuccessfully, to clarify the situation by pointing out that "the criterion justifying increases on grounds of comparability needs to be applied selectively, and must not be used to spread pay increases

(1) Cmnd.3235, p.6.

into areas of employment where the original justification does not apply".⁽¹⁾

It would appear that the question of the legitimacy of the use of comparisons in any given situation would have to be left for the N.B.P.I. to decide. Indeed, the Government's statements on comparability appeared to have confused several of the respondents.⁽²⁾

This confusion was not so apparent among the 160 managers who agreed with the Government's directive on general comparability. These managers gave three main explanations for their view.⁽³⁾ Several respondents felt that a man's worth should be assessed purely on his own merits or his level of productivity. Other respondents were concerned not so much with the individual worker's achievements but with the 'right' of each trade, industry or firm to determine its own wage structure on the basis of its results and indicated that comparisons should not be drawn outwith the boundaries of the industry or firm. A few more managers even said that valid comparisons could not be made due to the problems

(1) Cmnd.3590, p.9.

(2) An indication of this could be the fact that support for the Government's statement was inversely related to the respondents' understanding of the policy; 59.4% of those with a below or much below average comprehension assessment rating supported the statement compared with 52.3% of those with an above or much above comprehension assessment rating.

(3) See Appendix 41 for the distribution of answers to the question: "Why do you approve of the Government's statement on comparisons of incomes?"

of selecting the proper factors for comparison.

Many of the 94 managers who disapproved of the Government's opposition to the general use of the criterion of comparability appeared to have been confused by the apparent ambiguity of the Government's position. Most of those who did give an explanation for their view either said that the Government was not allowing equal remuneration to be given for equal work by forbidding the use of comparisons or that it was essential for managers to compare the wages offered by their firms to those of rival organisations in order to compete for labour. In both of these cases the comparison could possibly come under the "seriously out of line" criterion and the pay increase could be granted.

To see if the managers realised why the Government disapproved of the use of general comparisons with incomes in other employments, they were all asked:

"Why, do you think, does the Government object to this (general comparability) as a criterion for income increases?"(1)

Many managers could give no reason for the Government's objection but 25.2% of the respondents stated that such a criterion would lead to an inflationary spiral of wage claims. A few other managers were more specific and gave examples of how this spiral could arise - either by the wage increase involving no rise in

(1) See Appendix 42 for the distribution of answers to this question.

productivity or by improper comparisons being made by relatively lower paid groups resulting in pressure from the originally more highly paid sections to have the narrowed differentials restored to their former level.

In all, 40.7% of the sample stated that comparability could be the cause of inflationary tendencies in the economy.⁽¹⁾ Thus it would appear that the contribution to inflation made by comparisons of incomes was not so readily obvious to the managers as the effect on prices of pay increases being linked to the cost of living.

(1) Compare Aubrey Jones quoted in Robert B. McKersie, The British Board for Prices and Incomes, Industrial Relations, Vol.6, No.3, May 1967, p.275 as saying that there was much evidence comparisons were extensively used when they were neither a measure of fairness nor of the market - this led to inflationary tendencies. See also J.M. Jackson, Wages : Just Reward or Efficient Allocator, British Journal of Industrial Relations, Vol.V, No.3, November 1967, p.378, who shows the circular process which can arise due to the use of comparisons as a criterion for pay increases.

CHAPTER 9RESPONDENTS' VIEWS ON THE REMUNERATION OF LOWER
PAID WORKERS

A part of the incomes policy which appealed to the T.U.C. was the aim of improving the relative position of the lower paid workers.⁽¹⁾ To judge whether the respondents also thought priority should be given to the lower paid workers, the managers were asked:

"According to the Government the lower paid workers have a strong case for consideration for a pay increase. Do you agree?"

75.2% of the respondents thought that the lower paid workers should receive consideration for a pay increase, and only a minority (20.4%) of the respondents disagreed.

Many of the managers who said that the lower paid did have a strong case for a pay increase held this view because of the difficulties they believed the lower paid had to face. 28.1% of the total sample mentioned the problems encountered by a person whose low income was barely sufficient for existence. Another difficulty was suggested by 20.0% of the respondents who thought that the lower paid had trouble in coping with the rising cost of living.⁽²⁾

(1) See Cmnd.3235, p.6 and Cmnd.3590, pp.8-9.

(2) See Appendix 43 for the distribution of answers to the question: "Why do you think the lower paid workers have a strong case for consideration for a pay increase?"

Other managers (11.9%) had an entirely different reason for their concern about low pay, stating that advantage could be taken of welfare benefits if wages were below the level of such benefits since the relatively high level of social security and unemployment benefits was a disincentive to work hard.⁽¹⁾

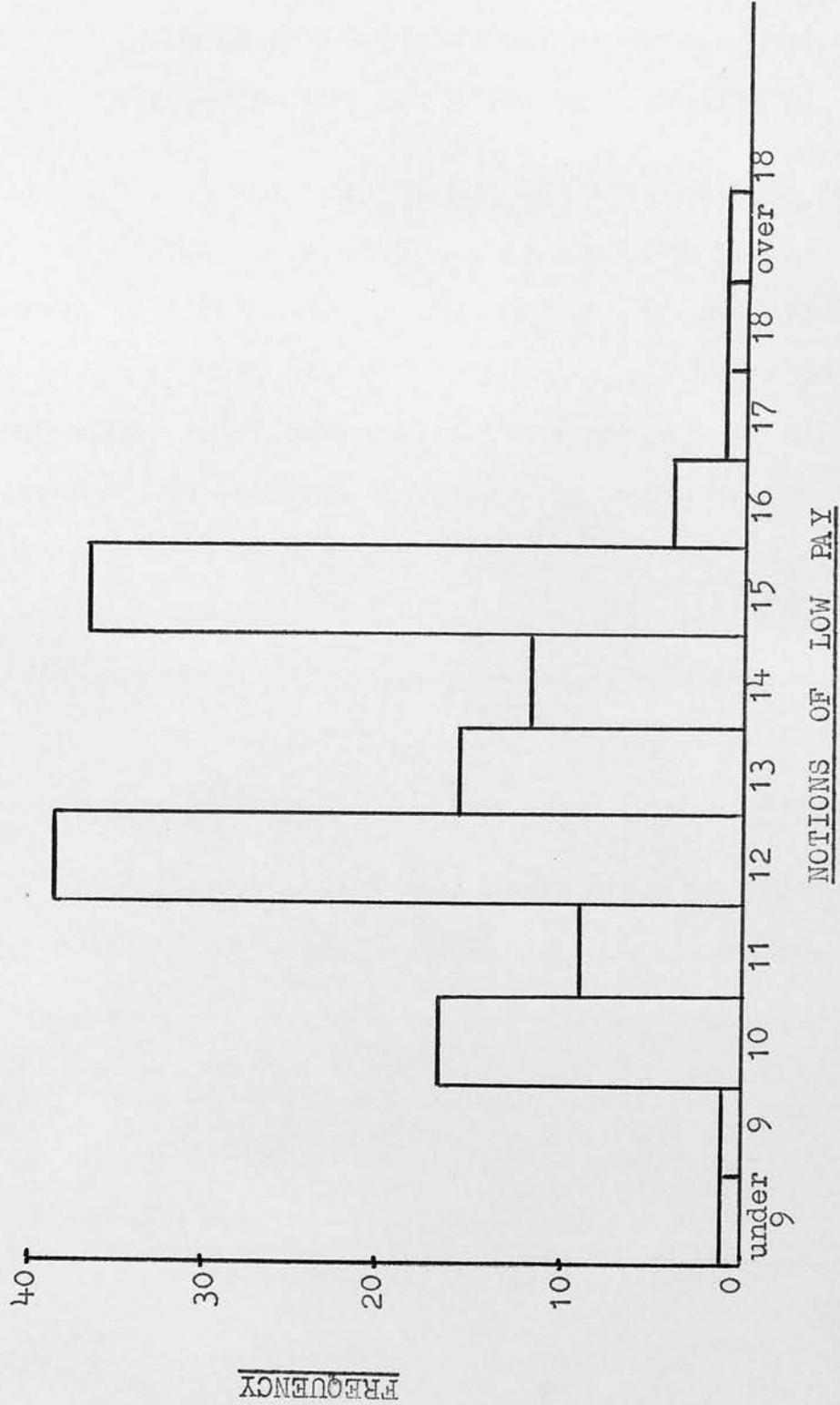
The managers who opposed any priority being given to the lower paid workers appeared to believe that this group did not deserve to receive more than they did at present. Some respondents considered that the lower paid would be uneconomic to employ if they received more remuneration. Other managers were concerned about differential problems and believed that the lower paid received a sufficiently high income in relation to workers with more ability, and if the former received an increase in pay, then the repercussions would be felt throughout the nation's wage structure.

So far, while the managers had spoken freely about lower paid employees they had not defined what they meant by a low paid worker. It transpired that the respondents had differing ideas

(1) Some of the respondents wanted welfare benefits to be abolished to prevent certain workers 'being pampered'. Wilfred Brown, Piecework Abandoned, Heinemann, London, 1962, pp.98-99, would disagree with the idea that 'without the healthy struggle for the amenities of life our people will lose economic virility' and points out that no medical evidence exists that anxiety or fear is good for the health or effectiveness of the individual.

Table 9.1

Distribution of answers of 139 respondents to the question: "How would you define a low paid worker in terms of pay? £..... per week" Answers in terms of basic pay before tax.



about the level of income of such a worker. An illustration of this is given in Table 9.1 which shows the distribution of the notions of 139 respondents of low pay in terms of a basic weekly income.⁽¹⁾ The range of answers was from £4 per week to £21 per week⁽²⁾ but these were isolated figures in the 'tail' of the distribution. Using the lower quartile (£11 : 3 : 7.) and the upper quartile (£14 : 4 : 10.) as measures of dispersion, it can be seen that the interval between these points is only about £3. The median is £12 : 3 : 9. and the arithmetic mean is £12 : 19 : 2. It is interesting to note that there appeared to be no single model value of the managers' notions of low pay; the respondents' assessments were clustered around two figures - £12 and £15 per week.

The managers were also asked how they would define a low paid worker in terms of occupation. Their answers are shown in Table

(1) The 255 managers who gave their ideas of low pay mentioned the low income in four different ways - basic rate (54.5%), basic rate less tax (5.9%), gross earnings (29.0%) and total earnings less tax (10.6%), showing that most of the managers thought of a wage in terms of a basic rate for the week. To avoid making dubious assumptions about tax allowances and overtime or bonus payments no attempt has been made to present the 255 managers' notions of low pay on a common basis. Instead, Table 9.1 shows only the distribution of the answers of the 139 respondents who gave a figure for low pay in terms of basic rate.

(2) The standard deviation was £2.13.

Table 9.2

Distribution of answers of 270 respondents
to the question: "How would you define a
low paid worker in terms of occupation?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Unskilled workers/labourers	95	35.2
Transport workers, eg. railway men, bus crews, transport workers in general	48	17.8
Council workers, eg. dustmen, roadmen, street sweepers	42	15.6
Farm workers/agricultural labourers	40	14.8
Shop workers	15	5.6
Nurses	12	4.4
Clerical workers	10	3.7
Other answers	40	14.8
No answer given	35	13.0

(1) 67 managers gave two occupations and these have been recorded as separate answers. There are, therefore, 337 entries in the table.

9.2. It can be seen that the group most frequently mentioned was that of labourers and unskilled workers. Next came three other occupations: transport workers, council workers and agricultural labourers.⁽¹⁾ Lack of skill appeared to be considered a barrier to receiving a high rate of pay for, when the managers were asked to name their employees who received a low remuneration, 52.2% of the respondents mentioned unskilled manual workers. The only other group to be named (by only 11 respondents) was that of clerical workers.⁽²⁾

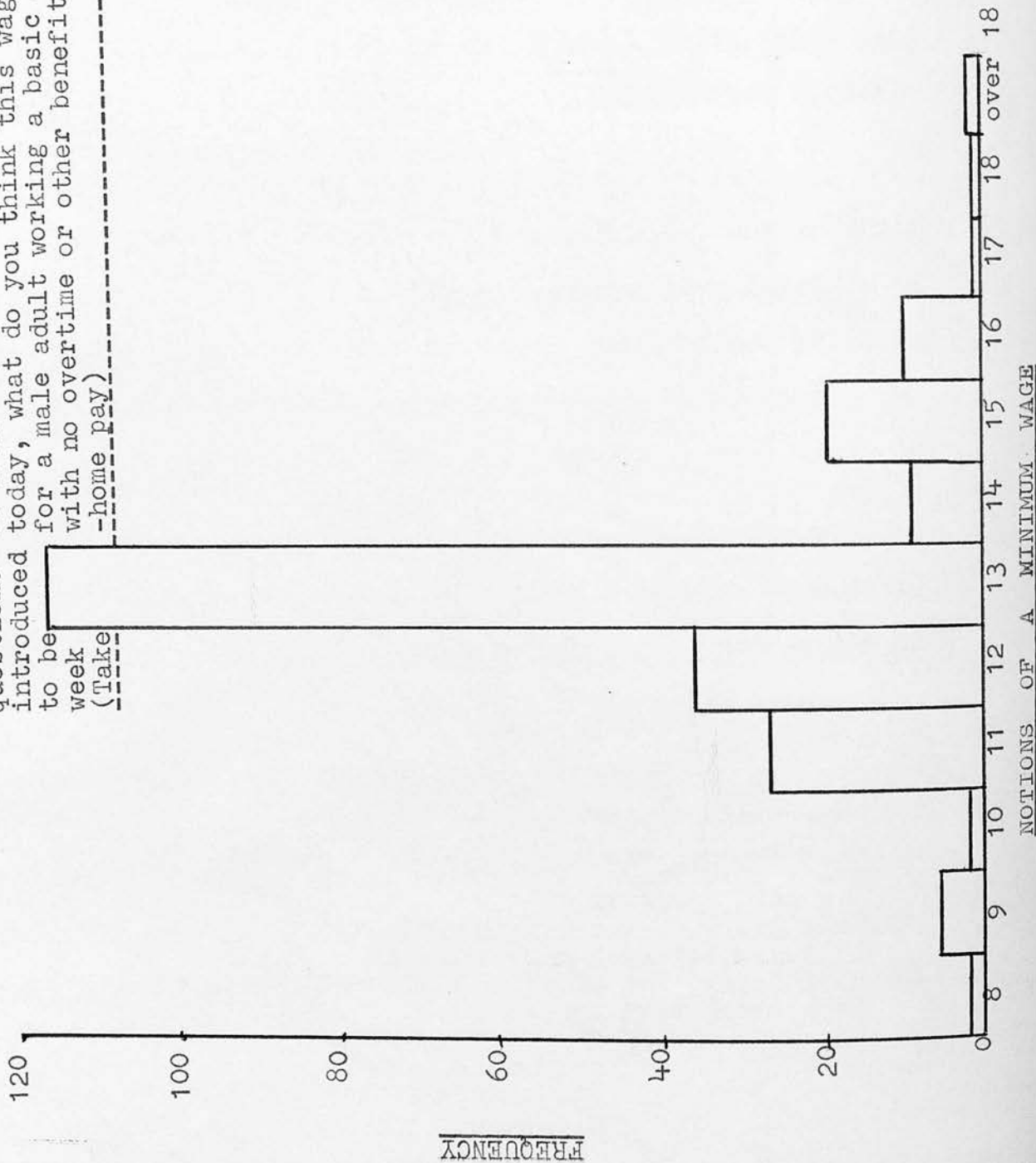
Managers' views about low paid workers are of interest in the light of the T.U.C.'s hopes for a national minimum wage of £15 to be achieved over a number of years. Clegg⁽³⁾ rejected this figure as being too high and liable to cause increases in both wage-costs and prices which would benefit no-one and suggested that a minimum of £10 : 10 : -. or £11 should not be unmanageable.

To obtain the respondents' views on this subject they were invited to suggest a figure for a national minimum wage in terms of "take-home" pay. The wage to be given was to be the net income of a single man working a 40 hour week.

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- (1) See Judith Marquand, Which are the Lower Paid Workers?, British Journal of Industrial Relations, Vol.V, No.3, November 1967, pp.359-374, who describes the industries employing many low paid workers.
- (2) Only 31.5% of the respondents felt that their low paid employees deserved a pay increase.
- (3) Hugh Clegg, The Case for a National Minimum Wage, The Times, 28th March 1967, p.9.

Table 9.3

Distribution of answers of 233 respondents to the question: "If a national minimum wage were to be introduced today, what do you think this wage ought to be for a male adult working a basic 40 hour week with no overtime or other benefits?"



The distribution of the answers of the 233 respondents who mentioned a level for a national minimum wage appears in Table 9.3. A wide dispersion of answers was given, the range being from £8 to £25 per week, but the lower and upper quartile of the distribution were separated by only just over £1 - £11 : 11 : 8. to £12 : 17 : 5.⁽¹⁾ The median was £12 : 7 : 6. and the arithmetic mean was £12 : 18 : 2. In comparison with the respondents' idea of low pay the gross level of a "take-home" pay of £12 : 18 : 2. would be a wage of slightly over £15 : 10 : -. - a figure £2 : 10 : -. higher than the arithmetic mean of the managers' estimates of the income of a low paid worker.

Unlike the managers' notions of low pay their assessments of a national minimum wage revealed a distinct modal value - £13. Indeed, half of the respondents who suggested a level for a national minimum wage chose this figure, showing that there does appear to be a certain consensus among the managers about a possible level for such a wage. It is interesting to note that, in terms of gross pay, a minimum wage of £13 net would be slightly above the figure of £15 suggested by the T.U.C.⁽²⁾

(1) The standard deviation was £1.8.

(2) 61.9% of the total sample said that their notion of a minimum wage was equivalent to the income necessary to enable people to live at the basic subsistence level. This would appear to give an indication that the managers in general believe that £13 per week net is the wage needed by the average family to live without further monetary assistance.

Although most of the managers were prepared to mention a level of pay suitable for a minimum wage only just over half of the sample (55.9%) actually approved of the adoption of a policy to lay down minimum standards of remuneration. These 151 managers gave several different reasons for their opinion.⁽¹⁾ Some felt that it was preferable for the country to have people working than living on unemployment or other social benefits and a minimum wage above the level of welfare payments would be an incentive for these people to work. Other respondents felt that a minimum wage would give people a decent standard of living to allow for the basic necessities of life.

A third reason given in favour of a national minimum wage was that of social justice. Several managers stated that it would be fairer to all if such a wage were to be introduced. Other respondents had a more specific objection to injustices possible under the present system of wage payments and feared that advantage would constantly be taken of some poorly organised groups by unscrupulous employers who paid extremely low wages to their employees.

Two main reasons pervaded the arguments of the 106 managers opposed to the idea of a national minimum wage. Several of this group believed that wages should not be determined by needs but

(1) See Appendix 44 for the distribution of answers to the question: "Why do you think that there ought to be a national minimum wage?"

Table 9.4

Distribution of answers of 188 respondents
to the question: "What problems do you
think a national minimum wage would cause?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Higher paid groups do not want differentials to be narrowed and will demand pay increases	70	25.9
It will be difficult to compute the rate to make it fair to all	31	11.5
Prices/cost of living will rise	22	8.1
People will take advantage and not work hard; the worthless will still have to be paid the national minimum rate	18	6.7
It will make certain industries/firms uneconomic; put certain industries/firms out of business	11	4.1
Other answers	23	8.5
No answer given	33	12.2

(1) 20 of the 188 managers gave two separate answers and these have been recorded as separate items. There are, therefore, 208 entries in the table.

by the worth of the individual to the firm, many adding that the worthless and those 'working without enthusiasm' would still have to be paid at any minimum rate which might be fixed in the future. The major objection of other managers to a national minimum wage was that agreement could never be reached on the factors needed to determine the level of such a wage let alone the interpretation of these factors.

These were not the only respondents who foresaw difficulties if a national minimum wage were to be introduced. Indeed, in answer to the question: "Do you think a national minimum wage will cause any particularly tricky problems?", 69.6% of the managers answered affirmatively. 34.0% of the total sample shared the same doubts as Clegg in expecting wages and prices to rise, many of them explaining that such a policy would narrow differentials and this would be resisted by the higher paid workers (Table 9.4). Other managers felt that it would be difficult to compute an equitable minimum wage.

These difficulties will certainly have to be overcome if the Government is going to lay down a national minimum wage. Yet will the Government ever introduce a standard minimum level of payment? While many respondents appear to be concerned with ensuring that everyone has a 'reasonable standard of living' the inflationary tendencies of a minimum wage would not be acceptable to many others nor presumably to the Government. It would appear that no simple

solution exists to the problem of low payment. What appears to be necessary is to determine where real need exists. This would involve an analysis of pay structures to discover which groups receive low earnings and not simply low basic rates of pay.⁽¹⁾ From this basis a pragmatic approach with gradual increases for those with low total incomes would appear to lessen the inflationary dangers of a doctrinaire approach to the problem of low incomes. This policy, however, would take time to introduce and would presumably have to be worked out carefully in conjunction with the T.U.C. and C.B.I. in order to make it acceptable to most sections of the community.

(1) See Allan Flanders, Collective Bargaining : Prescription for Change, Faber and Faber, London, 1967, pp.54-55.

Table 10.1

Distribution of answers of 270 respondents to the questions: (a) "Who do you think most deserve a pay rise within the country as a whole?" (1) and (b) "Who do you think most deserve a pay rise within the firm?"(2)

(a) Within the country as a whole

Classification of Answers	No. of Replies	Percentage of Total Sample %
Lower paid; people with less than £15 per week	72	26.7
The most productive people	29	10.7
Nurses	28	10.4
Skilled/semi-skilled men	18	6.7
Transport workers (including railway-men, bus crews)	16	5.9
Labourers/unskilled workers	14	5.2
Managers/executives	14	5.2
Teachers	13	4.8
Agricultural workers/farm labourers	12	4.4
Doctors (all kinds)	10	3.7
Old age pensioners	10	3.7
No-one	6	2.2
Policemen	5	1.9
Other answers	33	12.2
No answer given	37	13.7
<u>(b) Within the firm</u>		
No-one	110	40.7
Productive workers	24	8.9
Labourers/unskilled workers	24	8.9
Skilled/semi-skilled workers	19	7.0
Foremen	17	6.3
Clerical staff	16	5.9
Middle/top management	14	5.2
Managers (unspecified)	14	5.2
Everyone	13	4.8
The lower paid groups	10	3.7
Other answers	14	5.2
No answer given	8	3.0

- (1) There were many answers which mentioned two or more groups. In all, there are 317 entries in the table.
- (2) 13 of the 270 managers mentioned two groups and these have been recorded as separate items. There are, therefore, 283 entries in the table.

CHAPTER 10RESPONDENTS' OPINIONS ON PRIORITIES FOR PAY INCREASESWho most deserves a Pay Increase?

To ascertain whether the remuneration of any occupation was seen by the managers to be inequitable, the respondents were asked the following question:⁽¹⁾

"Who do you think most deserves a pay increase?"

The question was put to the managers in two contexts; (a) within the country as a whole and (b) within the respondent's own firm.

It can be seen from Table 10.1 that little unanimity existed among the managers in assessing the merits of various groups within the country as a whole for a pay increase. No group was considered by a large number of managers to deserve priority for a pay increase. The group most frequently mentioned by the managers was that of the lower paid workers. Nevertheless this group was only considered as candidates for an early pay rise by about one quarter of the respondents. Other managers, however, did mention groups which appeared to be among those receiving low incomes, for example, old age pensioners, agricultural workers and employees

(1) To avoid the answers being influenced by reminding the respondents of low paid workers, the questions on this topic were asked before the question on low paid workers.

of transport undertakings.

Among named occupations only small groups existed, the largest of which being the nursing profession. Other answers tended to emphasise the industrial flavour of the sample - people who worked efficiently and groups of workers with differing levels of skill were all mentioned by the respondents. These replies, which could have been expected to be based on the respondents' industrial experiences, were rather different from the results of a similar question put to a national sample of the general public.⁽¹⁾ Doctors, for example, were mentioned as most deserving a pay increase by 17.8% of the general public, while merely 3.7% of the managers held this view.

This could be due to the managers holding the medical profession less in awe than the general public or, more probably, due to the doctors' pay claim being prominent at the time of the national survey.⁽²⁾ Quite possibly, many of the answers given by the managers were due to publicity being given to the claims of certain sections of the community resulting in stereotyped attitudes being created. For instance, the two groups mentioned most frequently were the lower paid and the productive workers. Both

(1) See Hilde Behrend et al, Incomes Policy and the Individual, Oliver and Boyd, Edinburgh, 1967, p.42.

(2) See Harriet Lynch, Doctors' Pay and the Public, New Society, 25th August 1966, pp.301-302.

of these groups would be likely to receive priority among pay claims considered by the N.B.P.I. as the Government and the T.U.C. had stressed the desirability of encouraging settlements which promoted productivity or improved the position of the low paid workers.⁽¹⁾

The support given to low paid groups by the respondents serves to show the frame of reference of many managers in answering the question. Many respondents considered need and the desirability of ensuring that everyone had a minimum standard of living as a main consideration in selecting the group they felt most deserved a pay increase. Others seemed to consider not so much the basic cost of existence but more a fair reward for effort, skill, training or responsibility, - for example, the nursing, teaching and medical professions which apparently were deemed to be underpaid in relation to other occupations. The respondents mentioning these occupations seemed to feel that a fair differential did not exist and this should be remedied.

In answer to the question: "Who do you think most deserves a pay rise within the firm?", the respondents would appear to have been using fair differentials as their main frame of reference. Only a few of the respondents thought that a group with a low standard of living should be among the first in their firm to re-

(1) See Cmnd.3235, p.6.

(1) See Chapter 9 in which only 31.5% of the respondents stated that the low paid employees in their firms should have a pay increase.

ceive a pay increase.

The most interesting aspect of the answers to this question was that, once again, no group was mentioned by many managers (Table 10.1). The answer predominating above all others was that given by 40.7% of the respondents who said that no-one within their firm deserved a pay increase. The other answers ranged across the whole gamut of basic industrial occupations.

The difference between the managers' answers to the questions concerning the country at large and their own firms raises an interesting point. In a hypothetical situation where the respondents were asked to decide who should receive the highest priority for pay increases they chose the low paid workers as being the most worthy recipients of such an increase. Within their own firms only a few managers thought that the low paid workers should have a pay increase before other groups and a large proportion of the respondents declared that no-one most deserved a pay increase.

This could be due to few managers believing that their firms paid low wages and most managers thinking that other firms were those who gave a low level of remuneration to their employees. On the other hand it could be that a reticence to increase costs led the managers to believe that their firms' wage structures were at present quite satisfactory.⁽¹⁾

(1) See Chapter 9 in which only 31.5% of the respondents stated that the low paid employees in their firms should have a pay increase.

Table 10.2

Distribution of answers of 270 respondents to the questions: (a) "Who do you think least deserve a pay rise within the country as a whole?" (1) and (b) "Who do you think least deserve a pay rise within the firm?"(2)

(a) Within the country as a whole

Classification of Answers	No. of Replies	Percentage of Total Sample %
M.Ps, politicians	53	19.6
Civil Servants	32	11.9
Unproductive, idlers, unemployed	21	7.8
Highly paid; those with adequate salaries; rich	17	6.3
No-one	17	6.3
Car assembly workers	14	5.2
Entertainers	12	4.4
Semi-skilled/skilled workers	9	3.3
Dockers	7	2.6
Other answers	52	19.3
No answer given (including don't know)	59	21.9
<u>(b) Within the firm</u>		
No-one	171	63.3
Skilled; semi-skilled workers	27	10.0
Slackers, idlers, unproductive	13	4.8
Labourers; unskilled workers	11	4.1
Other answers	27	10.0
No answer given (including don't know)	22	8.1

- (1) There were many answers mentioning two or more groups. In all, there are 293 entries in the table.
 (2) 1 manager mentioned two groups and these have been treated as separate items. There are, therefore, 271 entries in the table.

Who least deserves a Pay Increase?

Next, the respondents were asked:

"Who do you think least deserves a pay increase within the country as a whole?"

Again, a variety of answers was received. Only one group stood out above the others - that mentioned by 19.6% of the respondents who felt Members of Parliament were the last people to whom a pay increase should be given (Table 10.2).

This result was similar to that of a national survey on the opinions of the general public conducted by Behrend et al.⁽¹⁾ during the period 28th November 1966 to 9th January 1967 in which 22.3% of the respondents believed politicians should be at the end of the queue for pay increases. It was felt at that time that the opposition to politicians having a pay increase stemmed from the impact of the salary increase given to M.P.'s in 1964. The explanations for the managers' views seemed to bear out the assumptions made by Behrend et al. a year previously as several of those who felt politicians least deserved a pay increase did so because they considered that M.P.'s were overpaid or had had a large income increase - even although three years had elapsed between the time of the increase and the interviewing of the

(1) Hilde Behrend et al., Incomes Policy and the Individual, Oliver and Boyd, Edinburgh, 1967, p.43.

managers.⁽¹⁾ In addition to politicians, others employed in governing the country, ie. Civil Servants, were considered to deserve a pay increase least of all, apparently due to a feeling that many of this group were not contributing much to the nation's economic progress.

People who were labelled 'unproductive' were also, in many managers' opinions, low on the list of priorities for a pay increase. Some managers did not just use the generic term 'unproductive' but were more specific and identified occupations which they considered contributed little to the country's output either because of the nature of the job (entertainers) or due to recent troubles in the industries concerned (car assembly workers and dockers).⁽²⁾

Turning to the respondents' replies to the question: "Who do you think least deserves a pay increase within the firm?", a reluctance to discriminate among their firms' employees was apparent. 63.3% of the respondents said that no-one within their firm should be bottom of the list for a pay increase (Table 10.2). Only a few managers gave a different answer, mentioning that their skilled or semi-skilled employees should be last to receive a pay rise.

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- (1) After giving their answers to the question: "Who do you think most/least deserves a pay increase?", the managers were asked to give the reasons for their answers. Chapter 11 considers these explanations more fully.
- (2) There had been disputes in the car industry at various times in 1967, and an unofficial dock strike in London towards the end of 1967 had lasted for eight weeks.

Table 10.3

Accuracy of respondents' notions of incomes of groups
they thought most/least deserved pay increases (a)
within the country as a whole, (b) within their firms

Accuracy of Respondents' notions of incomes	(a) Within the country as a whole (Percentage of 146 answers) %	(b) Within the respondents' firms (Percentage of 75 answers) %
Error within $\pm 10\%$	31.5	61.3
Error within $\pm 11-25\%$	26.7	18.7
Error more than $\pm 25\%$	29.4	5.3
Respondent could not or did not give an estimate of the occupation's income	12.3	14.7
TOTAL	100.0	100.0

The Accuracy of the Managers' Notions of Incomes

It would appear to be important to know whether the managers' views on who did or who did not deserve a pay increase were based on accurate or inaccurate knowledge of the actual incomes of the groups mentioned. Unfortunately, it is difficult to obtain information on levels of pay. In only 146 cases could the managers' notions of pay of groups outwith their firms be checked against factual information⁽¹⁾ and in merely 75 cases could the remuneration of employees within the managers' firms be checked against the companies' records.⁽²⁾

The results do suggest, however, that managers have a far better knowledge of incomes of occupations within their firms than of the remuneration of occupations not connected with their daily work (Table 10.3). Managers were twice as accurate in assessing incomes of employees within their firms to within 10% of their

(1) The occupations mentioned in these 146 cases were those with published salary scales. See Appendix 45 for the income of the groups mentioned by the respondents.

(2) This low figure was due partly to so many of the managers stating that no-one within their firm most or least deserved a pay increase and because none of the managers who dealt with their firms' wages were asked to assess the income of a group of their firms' employees. It was assumed that those who dealt with wages would have a far better knowledge of the pay of their companies' employees than most managers.

actual remuneration than they were in judging the pay of occupations in the country as a whole.⁽¹⁾ At the other end of the scale few of the managers made an error of more than 25 per cent in their assessment of the pay of employees of their own firms while 29.4% of the respondents' notions of remuneration of occupations outwith their firms showed an inaccuracy of this magnitude.

The conclusion that managers knew less about the pay of people outwith their firms than they did about the incomes of their own firms' employees is not surprising. The remuneration of the latter would concern the managers in their day to day relations with their staff and by their proximity to any grievances about pay the managers' knowledge of the wage structure of their own firms could be expected to be reasonably good. On the other hand, the occupations mentioned by the respondents as most or least deserving a pay increase within the country as a whole were unlikely to be connected to the firm in any way. Information on these occupations would only be available from time to time in the mass media or would only be obtained from conversation with those with knowledge of the occupation concerned.⁽²⁾ The managers'

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- (1) If a range of salaries existed for the group, the respondent was asked to state the mid-point of the range. This notion of income was compared with the actual mid-point of the range.
 - (2) Even if people have intimate knowledge of changes in pay they cannot always report these changes accurately. It would appear that some people even have difficulty in reporting changes in their own pay. See, for example, Einar Harding and Gerald L. Hershey, Accuracy of Employee Reports on Changes of Pay, Journal of Applied Psychology, Vol.44, No.4, August 1960, pp.269-275.

lack of knowledge of a person's income, however, did not prevent many respondents making a judgement about the desirability of awarding him a pay increase.

This might have been due to the individual respondent having an 'image' of the incomes of certain occupations. The median of the respondents' notions of a Member of Parliament's income, which could be taken as the managers' collective 'image' of an M.P.'s pay was £3,250 - the actual level of remuneration paid to these politicians. While it could not be said that the 'image' the respondents in general had of the pay of this profession was a true one due to the dispersion of answers,⁽¹⁾ 39.6% of their answers were within 10% of an M.P.'s actual salary.

The same could not be said about the respondents' 'image' of the income of a newly qualified nurse. The median of the managers' notions of the income of this profession lay well below the mid-point of the actual range of salaries.⁽²⁾ The respondents who mentioned nurses said that they deserved a pay rise, yet how big an increase did they believe nurses deserved? A 35% pay increase is today considered to be almost unimaginable, yet this would merely bring the median of the managers' notions of the level of a newly qualified nurse's pay up to the middle of the grade's

(1) The range of answers was from £1,200 to £8,000.

(2) The range of answers was from £250 to £875.

range of remuneration today.⁽¹⁾

The managers did not always assess the income of a group they thought most deserved a pay increase below its actual level. It was hypothesised that the respondents' notions of incomes of groups they felt most deserved a pay increase would be lower than the group's actual level of income and that their notions of incomes of groups they felt least deserved a pay increase would be higher than the group's actual level of income. No evidence was found to support this hypothesis. Managers did not consistently assess a group's income at a level lower than its actual pay to emphasise their views that the group deserved a pay increase nor did they always judge incomes of groups which they felt least deserved a pay increase to be at a higher level than in practice. From the evidence of this survey it appeared that the managers quite simply had little knowledge of the incomes of the groups they mentioned.

It would seem, however, that not only lack of knowledge entered into the managers' notions of the income of any occupation - factors of a more emotional nature appeared to be present. For example, one respondent's notion of the pay of a Member of Parliament was £1,200 per annum and another believed it to be

(1) Only 14.3% of the respondents' notions of the pay of a newly qualified nurse were within 10% of the mid-point of the grade's income range.

£8,000, yet, despite this difference, both respondents believed that politicians should be the last people to receive a pay increase.

Thus it would appear that not only were the managers' judgments of the merits of certain groups for a pay increase based on little knowledge but also on their attitudes towards the group.

thought most or least deserved a pay increase they were asked the reason for their particular choice.

On examination of their explanations (Table 11.1), it appears that the respondents used basically the same frames of reference to judge the merits of groups both within the country as a whole and within their firms. The co-efficient of concordance of all 11 to 11.1 was as high as 0.36.⁽¹⁾ Yet, within this general consistency differences did exist.

The respondents appeared to emphasize different criteria in the context of the firm and of the country as a whole. This can be seen by comparing the frequency of the managers' utilization of

(1) The rank correlation of the criteria used by the respondents to judge who most deserved a pay increase within the country (Table 11.1) and within the firm (Table 11.2) was 0.36. The rank correlation of the criteria used by the respondents to judge who least deserved a pay increase within the country (Table 11.3) and within the firm (Table 11.4) was 0.79.

RESPONDENTS' VIEWS ON THE DETERMINATION OF INCOMESCriteria used by the Managers to judge the Merits of a Pay Claim

As soon as the managers decided upon the occupations they thought most or least deserved a pay increase they were asked the reason for their particular choice.

On examination of their explanations (Table 11.1), it appears that the respondents used basically the same frames of reference to judge the merits of groups both within the country as a whole and within their firms. The co-efficient of concordance of all four columns in Table 11.1 was as high as 0.86.⁽¹⁾ Yet, within this general consistency differences did exist.

The respondents appeared to emphasise different criteria in the contexts of the firm and of the country as a whole. This can be seen by comparing the frequency of the managers' utilisation of

(1) The rank correlation of the criteria used by the respondents to judge who most deserved a pay increase within the country as a whole and within the firm (columns A and B of Table 11.1) was 0.83. The rank correlation of the criteria used by the respondents to judge who least deserved a pay increase within the country as a whole and within the firm (columns C and D of Table 11.1) was 0.79.

Table 11.1

Respondents' reasons for deciding certain groups
most or least deserved a pay increase-----

Classification of Answers	Percentage of Answers Given			
	(a)	(b)	(c)	(d)
	Most Deserved a Pay Increase		Least Deserved a Pay Increase	
	Within the country as a whole n=244 %	Within the firm n=247 %	Within the country as a whole n=200 %	Within the firm n=199 %
The existing level of a person's pay is unfair (pay is too high; pay is too low)(1)	23.0	21.9	23.0	25.6
Pay is unfairly related to productivity	14.6	16.6	16.5	26.6
Pay is unfair compared with that of other occu- pations	13.9	23.1	7.5	12.6
Pay is unfairly related to the necessity of the job	12.3	9.3	20.5	9.0
Pay is unfairly related to skill involved in the job	7.0	7.3	3.0	4.5
Pay does not allow the group to manage if the cost of living rises; pay easily allows one to manage if the cost of living rises	9.0	3.2	-	2.5
Pay is unfairly related to responsibility in- volved in the job	4.1	3.2	1.0	1.5
Other answers	16.0	15.4	28.5	17.6

(1) This criterion is extremely vague - pay can only be relatively high or low. Probes will have to be used in future research to discover the frame of reference used to decide whether an income is high or low.

each criterion in these two contexts - firstly in assessing who most deserved a pay rise and secondly in judging who least deserved an increase in remuneration.⁽¹⁾

It can be seen from Table 11.1 that the guidelines of the level of a group's productivity and comparisons with other employments were used more frequently in percentage terms in the context of the firm than within the country as a whole. Conversely, the criterion of 'the necessity of a person's job' appears to be used less frequently within the firm than in the context of the national economy.

Thus it would appear that more objective or tangible criteria in the form of productivity and comparability were used more often by the managers as measuring rods for income determination within the context of the firm than in the national situation. Conversely, the less quantitative yardstick of 'the necessity of a person's occupation'⁽²⁾ was used more frequently in assessing the pay claims of groups unrelated to the firm than in judging the claims of the managers' own employees.

Livernash⁽³⁾ would appear to have noticed similar tendencies

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- (1) That is by comparing column A in Table 11.1 with column B and column C with column D.
 - (2) None of the managers defined the criterion of 'the necessity of a person's occupation'.
 - (3) E. Robert Livernash, *The Internal Wage Structure*, in George W. Taylor and Frank C. Pierson, editors, *New Concepts in Wage Determination*, McGraw-Hill, New York, 1957, p.152.

when pay claims were proposed:

"Close association of employees on cluster-type jobs creates an environment that forces close comparison of jobs and allows a type of direct comparison more meaningful than where jobs are less closely integrated."

Obviously managers would be more intimately acquainted with the job content of occupations within their own firms than with the requirements of jobs in the country as a whole. This, it would appear, enabled the respondents to give more specific explanations about their choice of the groups most or least deserving a pay increase in the context of their own firms than in the case of occupations unrelated to the type of work undertaken in their firms.

Managers' Views on Income Determination

What people regard as a 'fair' pay increase for an occupation will, to a great extent, depend upon its existing level of income. Indeed, it has been seen that some managers considered that merely mentioning that a group's income was high or low was sufficient to explain whether the group should or should not have a pay increase. In an attempt to discover how the managers believed this existing rate of pay was determined, they were asked:

"Which factors do you feel determine the level of a man's income today?"

Table 11.2

Distribution of answers to the questions: (1)
 (a) "Which factors do you feel determine the level of a man's income today?";
 (b) "Which criteria would you like to see determine the level of a man's income?";
 (c) "From your experience in industry, for what sort of reason do most people accept that it is fair that other people are paid more than they are?" (2)

Classification of Answers	(a) Factors determining incomes today	(b) Criteria Preferred to determine incomes	(c) Reasons Acceptable to most people
	(Percentage of Total Sample)	(Percentage of Total Sample)	(Percentage of Total Sample)
	%	%	%
The existing level of a person's pay (high or low)	0.7	0.4	-
Productivity	11.1	40.4	18.1
Comparison with other occupations	0.7	0.7	1.5
Necessity of a person's job	2.2	14.1	1.5
Skill involved in a person's job	25.9	39.3	37.4
Cost of living	12.2	8.1	0.7
Responsibility involved in a job	1.1	1.1	18.9
Supply and demand	14.1	4.1	-
Bargaining power of the trade union	24.4	-	0.7
Industry in which a person works	13.7	-	-
Education	6.6	4.4	5.9
Other answers	12.2	3.7	1.5

- (1) Many managers mentioned more than one factor and these were recorded as separate items. The managers who gave no answer to a question have been omitted from the relevant part of the table.
- (2) 13.0% of the respondents in answer to this question said, that no reasons were acceptable to most people if others were paid more than they were.

Column A in Table 11.2 shows that a variety of answers was given to this question. The skill involved in a person's job, followed closely by the bargaining power of the trade unions were considered by the respondents to be the two main determinants of incomes. Perhaps, not unexpectedly, the latter factor was emphasised more by the managers who negotiated with what they described as 'militant' trade unions rather than by those who had harmonious relations with the unions involved in their firms.⁽¹⁾

Less frequently mentioned than these two factors of skill and productivity were four others - supply and demand, the industry in which a person worked, the cost of living, and productivity. It is interesting to note that, in the managers' views, productivity was surpassed in importance in determining incomes by the effect of the cost of living. If Robinson is correct in his assertion that a trade union's success is measured in part by its ability to 'beat the index' (cost of living),⁽²⁾ then it would appear that some unions, according to the respondents, have fulfilled part of the criterion of achievement.

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- (1) Almost twice as many of those who described the unions in their firms as 'militant' felt that the bargaining power of the unions was important in determining incomes (41.5%) than those who felt the unions 'did little' or were 'fair' (21.0%).
- (2) Derek Robinson, Wage Differentials over Time, Bulletin of Oxford University Institute of Statistics, Vol.23, No.4, November 1961, p.367.

(1) See column A in Table 11.2 for the distribution of answers to this question.

The respondents did not necessarily approve of all of these factors. Indeed, column B of Table 11.2 shows that productivity and skill come to the fore when the managers were asked which criteria they would like to see determine a man's remuneration.

The Government would most certainly not object to pay being determined by the individual's level of productivity and degree of skill but would these guidelines be appreciated elsewhere in industry? To obtain the respondents' views on this issue, they were asked:

"From your experience in industry, for what sort of reason do most people accept that it is fair that other people are paid more than they are?"(1)

Only three answers - skill, responsibility and productivity - stood out above the others. Skill, which was mentioned by twice as many managers as the other two factors, was considered by 101 managers to be acceptable to most people as a reason for others receiving higher incomes, mainly because the difference between various levels of expertise was easily seen and as a higher level of skill was more valuable to the firm the reason for a pay differential was obvious. The managers believed that productivity was acceptable to most people largely for the same reasons as greater skill was recognised as a valid reason for a pay differential. An entirely different explanation, however, was given by the

(1) See column C in Table 11.2 for the distribution of answers to this question.

managers who felt most people would accept the level of responsibility involved in a job as the criterion to determine its remuneration; these respondents stated that many people shirked responsibility and accordingly were quite amenable to others who held posts which carried a heavy load of responsibility receiving a higher income.

These findings could be of value if the incomes policy were to be entrusted with an additional objective. So far, the income policy's primary function has been to assist in improving the balance of payments and in curbing inflation. The policy could also be used, however, as an arbiter of social justice to determine incomes in a more equitable fashion than the system of collective bargaining. In this way it might be possible to reduce industrial strife over inequities in the pay structure both at plant and at national level.

If the policy were to be given this second basic aim then the criteria of skill, responsibility and productivity could possibly be used to form the basis of the system to determine 'fair' pay differentials. But would this process of income determination be generally accepted? Indeed, would it ever be possible to determine a just wage? These questions are examined in Chapter 12.

THEORETICIANS, SOCIAL JUSTICE AND INCOMES POLICY

It has been said that there are two major approaches to an incomes policy. One is the 'fireman's approach'; the attempt to influence developments of incomes in such a way that they shall not endanger a reasonable stability in the general level of prices. The other approach, the 'architect's approach', is based on the desire to improve living standards within the less favoured groups of society and to influence the distribution of incomes in general.⁽¹⁾ The use of both approaches would appear to be more likely to reduce industrial disputes than simply using the policy to contain price and income increases which could possibly cause resentment due to its more negative tendencies. Indeed, Faxén even states that if attention is paid to the 'fireman's approach' alone then an incomes policy could be pursued for two or three years at most.⁽²⁾

The respondents in this survey have given support to both approaches. Their views on the economic objectives of an incomes policy have been discussed earlier⁽³⁾ and their sympathy for the

(1) See Hermod Skånland, Incomes Policy : Norwegian Experience, British Journal of Industrial Relations, Vol.II, No.3, November 1964, p.309.

(2) Karl Olof Faxén, Incomes Policy in Sweden : Problems and Developments, British Journal of Industrial Relations, Vol.II, No.3, November 1964, p.340.

(3) See Chapters 5-8.

plight of the lower paid worker combined with their willingness to allot priorities for pay increases suggest that there is a considerable degree of support among the respondents for the 'architect's approach' to the policy.⁽¹⁾

For an incomes policy to consider social justice it would have to be concerned, Williams would suggest, with the establishment of principles of remuneration on which wages might be so based as to commend them to current conceptions of justice and equity.⁽²⁾

These guidelines could be given by Fogarty's 'theory of the just wage' which he feels has been produced over centuries and which has four principles.⁽³⁾

- i) pay equal to the value of work - equal and maximum pay for equal ability;
- ii) the maintenance of status;
- iii) respect for the common good;
- iv) avoidance of compensation between conditions.

In similar vein, Runciman⁽⁴⁾ feels that three criteria are

(1) See Chapters 9 and 10.

(2) Gertrude Williams, The Myth of Fair Wages, Economic Journal, No.264, Vol.LXVI, December 1956, p.621.

(3) Michael Fogarty, The Just Wage, Chapman, London, 1961, p.11.

(4) W.G. Runciman, Relative Deprivation and Social Justice, Routledge and Kegan Paul, London, 1966, p.261.

necessary to ensure justice, these being need, merit and contribution to the common good. If these two definitions of a fair wage are accepted (though Williams would probably object to need and merit being considered together)⁽¹⁾ then measures of 'value of work', 'merit' and 'contribution to the common good' are necessary.

Jacques⁽²⁾ does attempt to find a measure for factors such as these. He feels that a man cannot be rewarded equitably by productivity, efficiency, the strength of his trade union or the capacity of his industry to pay. Instead, he believes in an objective measure, the time span of discretion, based on the responsibility involved in a job and has expanded this concept into a national scheme.⁽³⁾

Whether responsibility is the correct criterion to measure the value or contribution of a man's work is debatable. What has to be found is a measure judged fair not necessarily because it is based on exact measurement but because it is accepted as being fair by all the parties concerned.⁽⁴⁾

(1) Gertrude Williams, op.cit., p.631.

(2) Elliot Jacques, An Objective Approach to Pay Differentials, The New Scientist, July 3rd 1958.
See also Elliot Jacques, Equitable Payment, Heinemann, London, 1961, and Elliot Jacques, Measurement of Responsibility, Tavistock Publications, London, 1956.

(3) See Elliot Jacques, National Incomes Policy. A Democratic Plan, King-Hall Services, London, 1965.

(4) See Hilde Behrend, A Fair Day's Pay, Scottish Journal of Political Economy, Vol.VIII, No.2, June 1961, who gives an example of this in the setting of factory production standards.

If a more stable national incomes structure is to be obtained a definition of a fair wage would have to be found and jobs moved into grades or clusters so that only meaningful differentials remained.⁽¹⁾ Sherif and Sherif⁽²⁾ state that placement of the same stimulus by two different individuals will correspond closely if they are using the same reference frames or anchorage points; it would differ if the stimulus is judged in terms of different anchorages. Thus, if people assess the worth of each occupation by using the same reference frames a far greater possibility would exist that agreement on a fair pay for any occupation could be reached. But what would these frames of reference be? What would appear to be necessary is the discovery of criteria, firstly acceptable to most people as determinants of incomes so that strife over basic pay levels could be reduced and secondly, economically viable so that the economic aims of the incomes policy would not have to be abandoned. In this way a wage could be considered to be 'fair' both morally and economically.⁽³⁾

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- (1) Compare John Corina, The Development of Incomes Policy, Institute of Personnel Management, London, 1966, pp.34-35.
 - (2) M. Sherif and C.W. Sherif, An Outline of Social Psychology, revised edition, Harper and Row, New York, 1956, pp.64-65.
 - (3) Compare Heinz Markmann, Incomes Policy in Germany : A Trade Union View, British Journal of Industrial Relations, Vol.II, No.3, November 1964, p.328, who states that 'justice' in distribution policy may perhaps be defined as the equal participation, secured in the long run, of all social groups in the national product provided that there is no reduction in the efficiency of the economy and that no-one feels that one group has suffered compared with another.

In this survey the managers stated a preference for the criteria of productivity and skill to determine incomes and considered that these two guidelines and the criterion of responsibility were acceptable to most people as a reason for others receiving higher incomes.⁽¹⁾ Do the theorists of wage determination analyse the situation in the same manner?

The belief that skill is a vital factor in determining income differentials has long been propounded in literature on remuneration. Adam Smith mentions the training aspect of a skilled man's working life among the five 'principal circumstances' he considers while examining the merits of certain occupations. He does this by comparing a skilled man to an expensive machine on which the investment cost has to be recouped and a profit made.

"A man educated at the expense of much labour and time to any of those employments which require extraordinary dexterity and skill, may be compared to one of those expensive machines. The work which he learns to perform, it must be expected, over and above the usual wages of common labour, will replace to him the whole expense of his education, with at least the ordinary profits of an equally valuable capital. It must do this, too, in a reasonable time, regard being had to the very uncertain duration of human life, in the same manner as to the more certain duration of the machine."⁽²⁾

(1) See Chapter 11.

(2) Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, Everyman edition, Dent, London, 1910, Vol.1, p.90.

Rothschild⁽¹⁾ and Salkever⁽²⁾ also emphasise the need to reward an employee for the time spent in training and so do Ostry et al.⁽³⁾ who maintain that skill differences are taken as the main justification in determining a worker's wage in Britain.

Therefore there seems to be a considerable degree of support for skill being one of the major criteria for assessing the value of a person's worth.

But how can managerial skills which involve responsibility be evaluated? Jacques, as already mentioned, attempts to give a measure for responsibility and many job evaluation schemes also seek to give a score to the responsibility involved in a job.⁽⁴⁾ Others, however, use separate job evaluation schemes for shop floor workers and for management, basing the former's evaluation on skill and the latter's on responsibility.⁽⁵⁾ Livernash,⁽⁶⁾ while feeling skill is the basic differentiating factor, admits that it may be debated whether skill or responsibility is the primary

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- (1) K.W. Rothschild, The Theory of Wages, Blackwell, Oxford, 1954, pp.71-72.
 - (2) Louis R. Salkever, Toward a Theory of Wage Structure, Industrial and Labor Relations Review, Vol.6, No.3, April 1953, p.307.
 - (3) Sylvia Wiseman Ostry, H.D.J. Cole and K.G.J.C. Knowles, Wage Differentials in a Large Steel Firm, Bulletin of the Oxford University Institute of Statistics, Vol.20, No.3, August 1958.
 - (4) See Anne G. Shaw, The Purpose and Practice of Motion Study, Harlequin Press, London, 1952, p.159.
 - (5) For an example, see J.J. Gracie, A Fair Day's Pay, Management Publications Trust, 1949, pp.58-76.
 - (6) E. Robert Livernash, The Internal Wage Structure, in George W. Taylor and Frank C. Pierson, editors, New Concepts in Wage Determination, McGraw-Hill, New York, 1957, p.152.

factor in differentiating wages in certain industries. Robertson⁽¹⁾ feels that the difference between a skilled worker making responsible decisions and a staff employee with a heavy load of responsibility is only one of degree. Thus, if an acceptable yardstick to determine incomes is sought, it would appear that some relation between the level of responsibility and the degree of skill must be found.

The use of another criterion, that of productivity, is encouraged by the Government and the incomes policy at present allows productivity bargains to be an exception to the ceiling of 3½% for pay increases.⁽²⁾ Economists, of course, stress the importance of productivity and most appear to agree that from the point of view of demand, marginal productivity is the chief factor in settling relative wage patterns.⁽³⁾

The use of productivity as the sole yardstick for income determination is highly problematic.⁽⁴⁾ Productivity payments do not correct existing inequities in the pay structure. Thus, if a person believes that his level of income is inequitable, he may

(1) D.J. Robertson, Factory Wage Structures and National Agreements, Cambridge University Press, 1960, p.158.

(2) See Cmnd.3590, p.3.

(3) See D.J. Robertson, The Determinants of Wage Structure, Scottish Journal of Political Economy, Vol.VII, No.1, February 1960, p.3.

(4) Difficulties of measuring productivity will be ignored for the purposes of this discussion.

well feel resentful of the fact that he has to work harder or more efficiently to secure an increase in pay. Instead, he probably would claim a pay increase on grounds other than productivity such as skill or responsibility. Nor can the criteria of skill or responsibility be the sole guidelines since the market value of the individual's contribution can scarcely be ignored. Clearly, as Gracie,⁽¹⁾ Behrend⁽²⁾ and Marriott⁽³⁾ state, there are two measurements of incomes-you have to pay a man according to the nature of the job, for example, for the level of skill or responsibility involved, and quite separately, for the amount of effort he puts into the job.

Thus it appears that the view of the respondents in this inquiry that skill, responsibility and productivity could be made to provide acceptable guidelines to assess the 'value of work' or

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- (1) J.J. Gracie, A Fair Day's Pay, Management Publications Trust, 1949, p.58.
 - (2) Hilde Behrend, The Effort Bargain, Industrial and Labor Relations Review, Vol.10, No.4, July 1957.
 - (3) R. Marriott, Incentive Payment Systems, 2nd Edition, Staples Press, London, 1961, p.127, quotes C.M. Baumbach, Incentive Wage Problems in Collective Bargaining and in Arbitration, Bureau of Labor and Management, Research Series, No.14, College of Commerce, State University of Iowa, 1956, as saying that "another important prerequisite for the successful operation of a wage incentive program in any plant is internal consistency in the base wage structure. If base wage rates are out of balance, the imbalance in workers' earnings in the various job classifications will only be increased by a wage incentive system even if the production standards themselves are equitably set or 'in balance'.....Before any wage incentive system is installed, existing inequities in hourly base wage rates should be eliminated by sound job evaluation."

'merit' coincides with the views of many writers on this topic. Such guidelines could possibly be used to achieve at least a temporary consensus on the determination of a just wage and could accommodate both economic and social objectives of an incomes policy.

Yet how could the concept of the just wage be fitted systematically into the existing processes of wage determination?

Routh⁽¹⁾ points out that the outstanding characteristic of the national pay structure is the rigidity of its relationships, which would suggest that comparisons are continually being used. Ross,⁽²⁾ too, asserts that comparison is a powerful active force in wage determination and quotes Bernstein's⁽³⁾ research on published wage-arbitration cases in support of this. An O.E.E.C. report⁽⁴⁾ also declares that comparisons are important in maintaining differentials:⁽⁵⁾

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- (1) Guy Routh, Occupation and Pay in Great Britain 1906-60, N.I.E.S.R., Economic and Social Studies XXIV, Cambridge University Press, 1965, p.147.
 - (2) Arthur M. Ross, The External Wage Structure, in George W. Taylor and Frank C. Pierson, editors, New Concepts in Wage Determination, McGraw-Hill, New York, 1957, p.190.
 - (3) Irving Bernstein, Arbitration of Wages, Berkeley, California; University of California Press, 1954, pp.28-29, found that cost of living, wage comparisons and ability to pay account for 85 per cent of 1,027 citations by unions, employers and arbitrators.
 - (4) William Fellner et al., The Problem of Rising Prices, O.E.E.C., 1961, p.53.
 - (5) For a more detailed account of how comparisons of incomes are made, see Martin Patchen, The Choice of Wage Comparisons, Prentice-Hall, New Jersey, 1961, and D. Katz, Satisfaction and Deprivation in Industrial Life, in A. Kornhauser, R. Dubin and A. Ross, editors, Industrial Conflict, McGraw-Hill, New York, 1954, who discusses some of the determinants of a worker's level of aspiration with respect to wages.

"The tendency for uniformity in negotiated increases clearly reflects the strength of the psychological, social and political forces making for the maintenance of existing wage differentials."

Could then a national wage structure be created by a more systematic use of comparisons? Clegg⁽¹⁾ gives an insight into the difficulties of such an operation and Flanders⁽²⁾ warns that comparisons have been an important factor in causing inflation. Yet Flanders does not believe that the influence of comparisons should be eliminated as this would be tantamount to denying any role for social justice in wage settlements.

If it is true that an incomes policy must contain some aspect of social justice to survive, then it seems that the policy would have to accommodate the forces of comparability. To do this, national rules to govern the uses of comparability would have to be drafted.

Creating a national wage structure with 'fair' differentials⁽³⁾ would, however, be a long term process of determining and changing

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- (1) H.A. Clegg, The Scope of Fair Wage Comparisons, Journal of Industrial Economics, Vol.IX, No.3, July 1961.
 - (2) Allan Flanders, Collective Bargaining : Prescription for Change, Faber and Faber, London, 1967, pp.56-57.
 - (3) See P. Ford, The Economics of Collective Bargaining, Blackwell, Oxford, 1958, pp.96-104, for an interesting discussion of the question of 'fair differentials'.

existing standards of fairness. Flanders⁽¹⁾ believes that there are two starting points:

"First, there are certain manifest inequities which everyone knows to be indefensible; they have to be corrected. Second, the use of comparison has to be excluded in those cases where in justice it cannot be held to apply; this means, for example, ruling out wage increases comparable to those gained under a productivity agreement where no productivity return is forthcoming."

From this beginning, Flanders suggests that agreed policies and practical rules could be evolved to determine the job content factors to be compared. The evolution of a system to overhaul the national wage structure by using comparability could possibly follow either of two courses. One method would be to carry out a national job evaluation on the basis of criteria such as skill, responsibility and effort, thus establishing a scale of wage differentials.⁽²⁾ Although this method might employ criteria which might in themselves be generally acceptable, the weights assigned to almost mutually inconvertible factors such as skill, responsibility and effort might lead to widespread disagreement with the resulting formula.

(1) Flanders, op.cit., p.57.

(2) See John Corina, The Development of Incomes Policy, Institute of Personnel Management, London, 1966, pp.32-33, who discusses the prospect of job evaluation being used to create a national wage structure. For an example of a job evaluation system helping to create stability in an industry's pay structure, see Jack Stieber, Occupational Wage Differentials in the Basic Steel Industry, Industrial and Labor Relations Review, Vol.12, No.2, January 1959.

An alternative to a scheme involving techniques of work study or job evaluation would be a less sophisticated approach using possibly similar criteria but in which no precise measurement of job factors is needed and where the differentials between different jobs are assessed by general judgment. There appears to be support for the idea that such a method could prove to be successful. For instance, Dunlop⁽¹⁾ and Livernash⁽²⁾ mention 'the job cluster' which they feel is a stable group of job classifications or work assignments within a firm which are so linked together by skill, location, custom or other technical factors that they have common wage-making characteristics. Livernash points out,⁽³⁾ however, that "the relative compensation among broad groups is less rigorously determined by job-content comparison but depends more upon general judgment as to the appropriate relationship". Slichter et al.⁽⁴⁾ feel that stability could be achieved where the unions objected to the use of job evaluation by use of "labour grade job classification" consisting of a few grades of jobs into which all occupations are classified without the use of a formal job evaluation system.

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- (1) John T. Dunlop, The Task of Contemporary Wage Theory, in George W. Taylor and Frank C. Pierson, editors, New Concepts in Wage Determination, McGraw-Hill, New York, 1957, p.129.
 - (2) E. Robert Livernash, The Internal Wage Structure, in George W. Taylor and Frank C. Pierson, editors, New Concepts in Wage Determination, McGraw-Hill, New York, 1957, p.148.
 - (3) Ibid., p.149.
 - (4) S.H. Slichter, J.J. Healy and E.R. Livernash, The Impact of Collective Bargaining on Management, The Brookings Institution, Washington D.C., 1960, p.561.

The Guillebaud Report⁽¹⁾ on Railway Pay considers that a small difference in pay is negligible and only a differential of 5 per cent is meaningful. Clegg, a member of the Committee, agrees with this and feels that human judgment could be relied upon to judge between the characteristics of two jobs and award 5 per cent differentials where these jobs are 'out of line' or 10 per cent where they are 'badly out of line'.⁽²⁾ Sales and Davies⁽³⁾ show that people are willing to forgo small differentials when they describe how 6,500 'different' jobs were reduced to 13 grades. Fogarty,⁽⁴⁾ too, feels that a simple structure is better than a subtle one even if it is less precise.

"If there is doubt about a differential it is better to do without it.....The burden of proof is always on those who propose to depart from equal pay, and it is not expected that this will be easy to discharge."

While some of these writers are referring to the wage structure of the firm and others are speaking of industrial and national pay structures, they seem to be coming to a basically similar conclusion; namely that a simple judgmental approach

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- (1) Report of Railway Pay Committee of Inquiry, Special Joint Committee on Machinery of Negotiation for Railway Staff, London, 1960.
 - (2) H.A. Clegg, The Scope of Fair Wage Comparisons, Journal of Industrial Economics, Vol.IX, No.3, July 1961.
 - (3) W.H. Sales and J.S. Davies, Introducing a New Wage Structure into Coal Mining, Bulletin of the Oxford Institute of Statistics, Vol.XIX, No.3, August 1957.
 - (4) Michael Fogarty, The Just Wage, Chapman, London, 1961, p.14.

for rationalising wage relativities based on crudely defined guidelines and creating only meaningful differentials is often more viable than the more complex approaches such as job evaluation. But even the simpler job grading scheme has its limitations and raises many questions that would still have to be solved.

For instance, how would a scheme of job grading be implemented? Would certain groups accept a cut in pay or no increase for years if it was generally felt that they were overpaid? How would the scheme fit in with the pressures of the labour market and free collective bargaining? In addition to problems of implementation, to reach agreement, many inconsistencies and arguments on the constituent parts of fairness will have to be resolved. Furthermore, if a consensus on such a policy is obtained the agreement reached would have to be reviewed periodically to adjust to changing circumstances (including the discovery of 'errors' of judgment in the original gradings).⁽¹⁾

(1) Compare Karl Olof Faxén, *Incomes Policy in Sweden : Problems and Developments*, British Journal of Industrial Relations, Vol.II, No.3, November 1964, who discusses the problems associated with the formulation of 'equal pay for equal work' in terms of a job evaluation system which means a setting of wage rates which is adapted to the type of work and differences in performance, so that it corresponds to a stable long-term equilibrium in wage relativities within and between companies and branches of industries.

The major problems are, however, more fundamental. Two basic difficulties have to be overcome; firstly, the problem of obtaining general acceptance that this type of wage determination on a national scale is a desirable and achievable objective and secondly, the difficulty of reconciling the goals of social justice with those of fighting inflation which, to date, have been the major aims of Britain's incomes policy.

CHAPTER 13SUMMARY AND CONCLUSIONS

A government can have one of two basic attitudes towards a nation's processes of income determination; on the one hand it can adopt a laissez-faire policy and on the other it can pursue some form of incomes policy.

Due to the problems engendered by inflation post-war governments have, from time to time, exercised some form of control over incomes. In 1962 a new approach was made by the Conservative Government which itself assumed responsibility for laying down criteria for income increases and instituted a special body (N.I.C.) to watch over their observance. The incoming Labour Administration continued this process and introduced a new body (N.B.P.I.) with extended powers to watch over the guidelines for incomes (1965).

The incomes policy attempts to uphold wider values than those defended by employers and trade unionists whose pre-war experiences of economic and social hardship have led to the championing of narrow interests leading to a neglect of certain elements of national welfare. In so doing, it seeks to adjust the old institutions of collective bargaining to the responsibilities of planning so that prices can be made more stable,

incomes more equitable, high employment and growth ensured and the balance of payments improved. To do this means changing the existing attitudes of employers and trade unionists. The present incomes policy is but a step in a gradual process of re-education and experimentation leading, it is hoped, to a creation of order in collective bargaining.

It was to examine the present attitude of managers towards the incomes policy that this research was commenced. By interviewing 270 senior managers in 85 firms in Central Scotland, an attempt was made to discover the extent of the managers' understanding of the prices and incomes policy and furthermore their views on the aims and operation of the policy in relating prices and incomes to the economic and social objectives formulated by the Government. To do this, the study examined the respondents' views on numerous features of the policy in the hope of obtaining insights and discovering areas for future research.

The main findings and conclusions of the report are presented below.

The Managers' Comprehension of the Prices and Incomes Policy and Britain's Economic Problems

The most striking feature of the evidence in this section

of the study was that a large proportion of the managers interviewed had little knowledge of the wider aspects of the Government's economic policy. Despite the importance of the role of the manager in implementing the prices and incomes policy, 51% of the respondents had only a vague understanding or no comprehension at all of its objectives. Even inflation, a topic frequently discussed in the mass media, was not well understood by many respondents, 64% of them having but a poor comprehension of the phenomenon. The managers' knowledge of one of the most traumatic events of recent British economic history, the devaluation of 1967, was even worse - 78% of their explanations of the purpose of devaluation were either vague or meaningless.

In view of these results it was, perhaps, not surprising to discover that the managers' knowledge of the more specific provisions of the prices and incomes policy - the criteria for pay increases, the machinery of the policy and the Government's reserve powers - similarly was low.

Some of the managers, of course, had a better understanding of the prices and incomes policy than others. To discover whether any particular type of manager was better informed than any other an index of the level of individual manager's comprehension of the policy was constructed. Using this index it was dis-

covered that four factors appeared to be related to comprehension of the policy; the managers employed in larger firms, those with a more intensive education, those who received more information about the policy and those who were involved in pay negotiations were more likely to have a greater understanding of the policy than others. These findings underline the importance of management education and do seem to suggest that more interesting and meaningful information about the policy should be distributed to managers in the smaller firms who at present appear to know considerably less about economic policy than their colleagues in the larger firms. This, it would appear, might well raise the existing level of managers' knowledge about the prices and incomes policy.

Views on the Policy's Economic Aims and on its Operation

The majority of the managers felt that the prices and incomes policy could be a useful instrument of economic policy; 60% believed that such a policy could tackle Britain's economic difficulties and approximately the same number thought that the answer to inflation could be found in the prices and incomes policy. Slightly fewer managers thought that they would prefer a system of planning incomes to free collective bargaining.

In each of the above cases more support for the prices and incomes policy appeared to come from the managers with greater knowledge of the policy than from other respondents. This suggests that closing the communication gap between the Government and management is very important if increased support for the policy is desired. Unlike many other Government policies the prices and incomes policy, in trying to control innumerable transactions and agreements, depends to a large extent upon its acceptance by the public at large. The co-operation of managers is even more important than that of the general public as they alone often have to make decisions concerning price and income increases. It would appear important, therefore, that the Government should convince substantially more than the 60% of the managers who at present support the policy that it can help the nation to attain its economic objectives.

At present, a certain conflict of opinions about the extent of the Government's involvement in the processes of collective bargaining appears to exist. Many managers seem to believe that the Government should watch over the bargaining system while others prefer autonomy in pay negotiations through fear of a surfeit of government interferences in the labour market. To increase the prospects of the policy's success this opposition

would have to be reduced. Even if, as 81% of the respondents believed, a policy backed by legislation was considered to be essential, the Government's need for the support of management would not be diminished. In this case, unless the policy had sufficient support, the problem of enforcing any sanctions would be virtually insurmountable.

An indication was given for the belief that support for the policy could be increased. For, although 57% of the managers considered that the prices and incomes policy had been unsuccessful, half of the respondents felt that in their role as private citizens they would be better off and a similar percentage believed that their job as a manager would be easier if the policy were to be successful. Only about 10% of the respondents in each case believed that a successful policy would be disadvantageous to them.

Looking ahead it was seen that only a few of the respondents (12%) believed that an incomes policy ought never to be used. The great majority of the managers appeared to think that there was a definite place for a prices and incomes policy in the future; 48% felt that the policy should only be used at times of economic crisis but 39% even seemed to prefer it to

be a permanent mechanism to determine movements in prices and incomes. It did appear, however, that many of the managers envisaged different controls in the future; 44% thought controls on prices should be increased and 30% said restraints on incomes should be tightened. The greater support for more severe controls on prices could be a measure of the manager's frustration in his role as a consumer caused by the rise in the cost of living.⁽¹⁾ On the other hand, the lesser support for increased controls on incomes, the disapproval of 44% of the managers of restraints on their own incomes, and the support of 69% for pay increases being related to the cost of living could all be symptomatic of the lack of understanding of inflation existing among the managers.

Opinions on Incomes and Social Justice

Social justice in the national pay structure has two main aspects. On the one hand, it is concerned with improving the

(1) Productivity Prices and Incomes : A General Review 1968, N.E.D.O., London, 1969, states that retail prices rose by about $5\frac{1}{2}\%$ in the 12 months from the last quarter in 1967 to the last quarter of 1968. During the same period the report states that earnings (according to the D.E.P.'s monthly survey) rose by 8% in this period though, according to national income estimates, wages and salaries per head rose by about $6\frac{1}{2}\%$ in the same period.

position of those in need and, on the other, it is involved in ensuring that the remuneration for any job is determined equitably.

Since most respondents seemed willing to give priority for pay increases to certain groups or occupations it would seem that there would be little objection to the incomes policy differentiating between groups. As the respondents frequently mentioned the lower paid occupations as those deserving pay increases and 75% supported the Government's view that these groups merit priority for pay increases, it would seem that the incomes policy's objective of furthering social justice by improving the position of the lower paid would be supported by the managers in general. Indeed, 56% of them approved of a national minimum wage.

Other groups mentioned by the managers as those deserving priority for pay increases were those where the case for an increase involved the question of fair differentials for training and responsibility. Moreover, the managers' views that skill, responsibility and productivity would be generally accepted as equitable bases for determining incomes might be an indication that an extension of fair comparisons based on some form of job content analysis to determine a 'just wage' might not be impossible,

albeit extremely difficult, in the future.

Closing the Communication Gap

Britain's economic recovery lies in the hands of both the Government and industry. In realising that Britain's prosperity could be assured only by higher production and competitive exports, the Government introduced their prices and incomes policy in an attempt to control inflation and encourage productivity. Yet, without the support of industry this policy would be ineffective.

Frequently this report has shown that many managers do not fully appreciate the Government's intentions in introducing the policy yet there seems to be an underlying support for the policy, coming mainly from those with more knowledge of prices and incomes policy and of the economic situation. It would appear that the Government could profitably conduct research to discover which aspects of the policy are regarded favourably and which are opposed, who are the supporters and opponents of the policy, where the gap in communication lies and by which means it can be closed. Aubrey Jones himself expressed similar views when he stated that one of the objectives of the prices and incomes policy was:

"....to ensure that citizens and Government are less out of tune with each other in the sense that if citizens reacted against action by a Government out of a feeling of inequity, either that inequity is put right or its rationale is clarified so that it is more easily tolerated."(1)

This feeling of inequity must first be identified and located. Only then can the Government take remedial action, such as making alterations to the policy to remove the injustice or increasing the flow of meaningful information to explain their viewpoint to the relevant sectors of the community such as the managers in smaller firms who received less information than managers in larger firms and were less in favour of the prices and incomes policy. By means such as these a basis could be laid for a deeper understanding between management and the Government. From the findings of this survey, the narrowing of the communication gap at present existing between the Government and many of those implementing its policy could lead to a greater willingness to co-operate,⁽²⁾ thereby increasing the pro-

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- (1) Aubrey Jones, Prices and Incomes Policy, Economic Journal, No.312, Vol.LXXVIII, December 1968, p.804.
 (2) See also Hilde Behrend, Ann Knowles and Jean Davies, Have you heard the Phrase 'Productivity Bargain'? Findings from two National Sample Surveys, article to be published in The Scottish Journal of Political Economy, November 1969, who show that those with more understanding of productivity bargains are more willing to agree to changes in their work in return for extra money.

spects of the attainment of the Government's social and economic objectives.

At present the means the Government will use to attempt to achieve these goals are unclear and the future of the prices and incomes policy appears to be uncertain.⁽¹⁾ This is a time in which many economic policies⁽²⁾ and their inter-relationships⁽³⁾ are being questioned. In the short term the prices and incomes policy may not have realised many early expectations of success but the policy's answer to the problem of economic growth without inflation lies more in the long term in creating a consensus on social valuations and in educating the community to look beyond their own sectional interests, rather than in short term prices and incomes restraint. In the short term,

(1) See David Watt, How Voluntary an Incomes Policy, Financial Times, June 6th 1969, p.19, who suggests that the Government's control over the policy is going to be abandoned in November 1969.

(2) See Aubrey Jones, op.cit., pp.800-803.

(3) See British Industry Week, July 4th 1969, p.1, and The Financial Times, July 16th 1969, p.16.

the policy will occasionally involve two steps forward and one back,⁽¹⁾ the judgment on its success can only be made in the years to come.

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(1) See John Corina, The Development of Incomes Policy, Institute of Personnel Management, London, 1966, p.54.

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APPENDIX 1FIRST REPORT FOR INFORMATION SENT TO THE
MANAGER OF THE SELECTED FIRM

Dear Sir,

I am writing in connection with a survey I am undertaking for a Ph.D. thesis entitled 'Management and Incomes Policy'.

This survey is an extension of research conducted under the direction of Dr. E. Barend, a senior lecturer in this department. Dr. Barend's previous research into the general public's opinions on inflation and incomes policy has already received wide attention from academics and some members of the National Board for Prices and Incomes including Mr. Aubrey Jones. As we felt that management have, to a large extent, to bear the brunt of implementing an incomes policy we decided to try to obtain their views and opinions on such a policy. We hope that from our findings we will be able to show how management regard incomes policy.

APPENDICES 1 - 45

I would be most grateful if you could help us with this research by allowing us to come and visit your firm within the next five weeks to interview possibly six senior managers for about 15 minutes each, using a simple yet comprehensive questionnaire, to obtain their views and suggestions about incomes policy. The information and opinions given will, of course, be treated strictly anonymously and managers and firms will not be identified in any report.

Your firm was one of eighty in Fife, the Lothians, Edinburgh and Glasgow picked out for this survey by a random sampling technique designed to enable us to obtain the views of the managers of larger (100 + employees) and smaller (11 - 99 employees) firms. I hope I can count on your co-operation in the survey to enable us to present a representative section of executives' opinions on one of the major problems the country is facing today.

Hoping to hear from you,

Yours sincerely,

DAVID P. TWEDDIE

APPENDIX 1FIRST REQUEST FOR CO-OPERATION SENT TO THE
GENERAL MANAGER OF THE SELECTED FIRM

Dear Sir,

I am writing in connection with a survey I am undertaking for a Ph.D. thesis entitled 'Management and Incomes Policy'.

This survey is an extension of research conducted under the direction of Dr. H. Behrend, a senior lecturer in this department. Dr. Behrend's previous research into the general public's opinions on inflation and incomes policy has already received wide attention from academics and some members of the National Board for Prices and Incomes including Mr. Aubrey Jones. As we felt that management have, to a large extent, to bear the brunt of implementing an incomes policy we decided to try to obtain their views and opinions on such a policy. We hope that from our findings we will be able to show how management regard incomes policy.

I would be most grateful if you could help us with this research by allowing me to come and visit your firm within the next five weeks to interview possibly six senior managers for about 45 minutes each, using a simple yet comprehensive questionnaire, to obtain their views and suggestions about incomes policy. The information and opinions given will, of course, be treated strictly anonymously and managers and firms will not be identified in any report.

Your firm was one of eighty in Fife, the Lothians, Edinburgh and Glasgow picked out for this survey by a random sampling technique designed to enable us to obtain the views of the managers of larger (100 + employees) and smaller (11 - 99 employees) firms. I hope I can count on your co-operation in the survey to enable us to present a representative section of executives' opinions on one of the major problems the country is facing today.

Hoping to hear from you,

Yours sincerely,

DAVID P. TWEEDIE

APPENDIX 2SECOND REQUEST FOR CO-OPERATION SENT TO THE
GENERAL MANAGER OF THE SELECTED FIRM

Dear Sir,

I wrote to you a few weeks ago in connection with a survey entitled 'Management & Incomes Policy'. In this letter I asked if it would be possible for me to visit the firm and interview possibly six/three of your senior managers. Each interview takes about 45 minutes and involves the use of a simple yet comprehensive questionnaire.

I realise that you must be extremely busy and I appreciate how difficult it must be for managers to see me. Most of the firms in the sample are going to help us and I wondered if you could find the time to allow me to visit you in the next few weeks to enable me to complete the survey.

Hoping to hear from you,

Yours sincerely,

DAVID P. TWEEDIE

APPENDIX 3

INDUSTRIES SELECTED FOR SURVEY
NUMBER OF FIRMS VISITED IN EACH MINIMUM LIST HEADING
 (Orders and Minimum List Headings
 taken from the Standard Industrial
 Classification of 1958)

Order No.	Minimum List Heading	Category	Title	No. of Firms Visited
III		<u>Food Products</u>	<u>Food, Drink and Tobacco</u>	
	213		Biscuits	1
	215		Milk Products	2
	216		Sugar	2
	217		Cocoa, Chocolate and Sugar Confectionery	2
	231		Brewing and Malting	1
			<u>Total</u>	<u>8</u>
IV		<u>Consumer Products</u>	<u>Chemicals and Allied Industries</u>	
	272		Pharmaceutical and Toilet Preparations	-
	275		Vegetable and Animal Oils, Fats, Soaps and Detergents	2
	277		Polishes, Gelatine, Adhesives, etc.	-
			<u>Metal Goods not Elsewhere Specified</u>	
IX	396		Jewellery, Plate and Refining of Precious Metals	-
X			<u>Textiles</u>	
	419		Carpets	1
XII			<u>Clothing and Footwear</u>	
	442		Men's and Boys' Tailored Outerwear	2
	445		Dresses, Lingerie, Infant wear, etc.	3

XV	446		Hats, Caps and Millinery	-
			<u>Paper, Printing and Publishing</u>	
XVI	486		Printing, Publishing of Newspapers & Periodicals	3
			<u>Other Manufacturing Industries</u>	
	494		Toys, Games and Sports Equipment	3
			<u>Total</u>	<u>14</u>
<hr/>				
IV		<u>Producer Products</u>	<u>Chemicals and Allied Industries</u>	
	261		Coke Ovens and Manufactured Fuel	-
	262		Mineral Oil Refining	1
	271		Chemicals and Dyes	2
	273		Explosives and Fireworks	-
	274		Paint and Printing Ink	-
	276		Synthetic Resins and Plastic Materials	2
V			<u>Metal Manufacture</u>	
	311		Iron and Steel (General)	2
	312		Steel Tubes	1
	313		Iron Castings, etc.	2
VI			<u>Engineering and Electrical Goods</u>	
	331		Agricultural Machinery (except tractors)	1
	332		Metal Working Machine Tools	3
	334		Industrial Engines	-
	335		Textile Machinery and Accessories	2
	338		Office Machinery	-
	342		Ordnance and Small Arms	-
	352		Watches and Clocks	-
	362		Insulated Wires and Cables	-
	363		Telegraph and Telephone Apparatus	-

VIII			<u>Vehicles</u>	
	383		Aircraft Manufacturing and Repairing	-
	384		Locomotives and Railway Track Equipment	-
	385		Railway Carriages, Wagons and Trams	-
IX			<u>Metal Goods not Elsewhere Specified</u>	
	391		Tools and Implements	-
X			<u>Textiles</u>	
	411		Production of Man-Made Fibres	-
	412		Spinning & Doubling of Cotton, Flax & Man-Made Fibres	-
	413		Weaving of Cotton, Linen and Man-Made Fibres	5
	414		Woollen and Worsted	4
	415		Jute	2
	423		Textile Finishing	2
XIII			<u>Bricks, Pottery, Glass, Cement, etc.</u>	
	461		Bricks, Fireclay and Refractory Goods	1
	463		Glass	1
	464		Cement	-
XIV			<u>Timber, Furniture, etc.</u>	
	475		Wooden Containers & Baskets	2
XV			<u>Paper, Printing & Publishing</u>	
	482		Cardboard Boxes, Cartons and Fibre-Board Packing Cases	3
	489		Other Printing, Publishing, Bookbinding, Engraving, etc.	26
XVI			<u>Other Manufacturing Industries</u>	
	491		Rubber	1
			<u>Total</u>	<u>63</u>

APPENDIX 4EMPLOYMENT IN THE PUBLISHING INDUSTRY

Percentage of Total Employees Employed in Minimum List Heading 489,
"Other Printing, Publishing, Bookbinding, Engraving etc.":
Great Britain, June 1967

Total Employees in "Other Printing, Publishing, Bookbinding, Engraving, etc."	<u>259,700</u>	= 1.1%
Total Employees in all industries and services	22,828,000	

Percentage of Total Employees Employed in Minimum List Heading 489,
"Other Printing, Publishing, Bookbinding, Engraving etc.":
Edinburgh and Glasgow, June 1967.

Edinburgh ⁽¹⁾

Total Employees in "Other Printing, Publishing, Bookbinding, Engraving, etc."	<u>4,938</u>	= 2.2%
Total Employees in all industries and services	222,545	

Glasgow ⁽²⁾

Total Employees in "Other Printing, Publishing, Bookbinding, Engraving, etc."	<u>8,344</u>	= 1.6%
Total Employees in all industries and services	508,561	

(1) Includes Edinburgh, Leith and Portobello Employment Exchange Areas.

(2) Includes Glasgow Central, Glasgow South Side, Bridgeton, Govan, Hillington, Kinning Park, Maryhill, Parkhead, Partick and Springburn Employment Exchange Areas.

Percentage of Total Employees Employed in Manufacturing Industries
(Orders III-XVI) : Edinburgh and Glasgow, June 1967

Edinburgh

Total Employees in manufacturing industries	<u>58,792</u>	=	26.4%
Total Employees in all industries and services	222,545		

Glasgow

Total Employees in manufacturing industries	<u>182,820</u>	=	35.9%
Total Employees in all industries and services.	508,561		

Percentage of Employees in Manufacturing Industries Employed in
Order XV "Paper Printing and Publishing" : Edinburgh and Glasgow,
June 1967.

Edinburgh

Total Employees in "Paper Printing and Publishing"	<u>10,431</u>	=	17.7%
Total Employees in manufacturing industries	58,792		

Glasgow

Total Employees in "Paper Printing and Publishing"	<u>17,709</u>	=	9.7%
Total Employees in manufacturing industries	182,820		

Source : Department of Employment and Productivity.

APPENDIX 5ANALYSIS OF VISITS TO FIRMS

Size of Firms	Total Number of Visits	Number of Interviews in Each Firm						
		1	2	3	4	5	6	Total
Large (1000+ persons)	5	1	-	-	-	1	3	24
Medium(250-999 persons)	15	-	2	-	1	1	11	79
Medium(100-249 persons)	16	4	3	2	2	-	5	54
Small (11-99 persons)*	49	9	16	24				113
Total	85	14	21	26	3	2	19	270

* At a maximum three interviews only were conducted in small firms.

APPENDIX 6INTERVIEW SCHEDULE USED FOR THE SURVEY

UNIVERSITY OF EDINBURGH
DEPARTMENT OF BUSINESS STUDIES
INTERVIEW SCHEDULE

As you may know I am particularly interested in prices and incomes policy, and I would like to hear how you feel about the policy;

- 1(a) Is this a topic you discuss here quite a bit or not?

YES/NO

- (b) If prices and incomes policy is discussed

On any particular occasions?

2. Do you follow prices and incomes policy in discussions or articles in the mass media (T.V., radio, newspapers, magazines) or not?

YES/NO

- 3(a) Have you been given any official pamphlets on the Government's prices and incomes policy at work, or not?

YES/NO

- (b) If yes, can you remember from whom? (Give card No.1)

(i) T.U.C. handouts

(ii) C.B.I.

(iii) Any other employers federation (which).....

(iv) Your own management

(v) Trade Union handout (which union).....

(vi) Ministry of Labour

(vii) Department of Economic Affairs

(viii) Board of Trade

(ix) Other.....

- (c) On the whole, did you get the impression this literature was in favour of the policy or against it?

FOR/AGAINST

- 4(a) In the light of what you have read or heard; what would you say are the objectives of the Government's prices and incomes policy?

(If informant answers 'to stop prices and incomes rising' ask what is the purpose of stopping prices and incomes rising)

- (b) What machinery or organisations exist to carry the Government's prices and incomes policy into effect?

- 5(a) Who or what do you think has been mainly responsible for our economic difficulties which have led the Government to the idea of prices and incomes planning?

(If the respondent answers 'inflation' skip to Q.6)

- (b) Do you think a prices and incomes policy can tackle these economic problems?

YES/NO (Note additional comments)

- (c) If no, How could these economic difficulties be tackled?

6. One of the (other) objectives of prices and incomes policy (as you have said) is to combat inflation. What does the term inflation mean to you?

- 7(a) Do you think that there is too much fuss about inflation or is it important to stop it?

IMPORTANT
TOO MUCH FUSS
OTHER.....

- (b) If important, do you think a prices and incomes policy is the way to tackle inflation?

YES/NO (Note additional comments)

- (c) If no, in what way do you think inflation should be tackled?

8(a) Where does devaluation come in all this - what good can it do Britain?

(b) Do you know if your firm has granted any wage claims since devaluation?

YES/NO

(c) If yes, on what grounds?

9(a) Have the Government's prices and incomes policies had any lasting effect on this firm's thinking and planning of wages?

YES/NO/D.K.

(b) If yes, what effect?

(c) How easy or difficult has it been to implement the Government's prices and incomes policy?

(d) Is it becoming more difficult to co-operate with the Government in its prices and incomes policy?

YES/NO

(e) If yes, in what way?

10(a) Do you think that a prices and incomes policy can be successful on a voluntary basis?

YES/NO/D.K.

(b) If yes, how can it be made to work voluntarily?

(c) If no, why do you think it cannot be successful on a voluntary basis?

11(a) In general, do you think it is essential for the Government to have compulsory powers for a prices and incomes policy to operate successfully?

YES/NO/D.K.

(b) If yes, why?

(c) If no, why not?

- 12(a) In general, do you approve or disapprove if the Government has compulsory powers for a prices and incomes policy?

APPROVE/DISAPPROVE/D.K.

- (b) If approve, why?
- (c) If disapprove, why?

- 13(a) Does the Government still hold reserve powers or is the present policy purely voluntary?

RESERVE POWERS/PURELY VOLUNTARY/D.K.

- (b) If reserve powers, what are they?

(If respondent replies 'don't know' to Q.13(a) explain that the Act is a bit confusing and the question was asked to see how many people had understood it)

14. What would be your reaction if the Government attempted to stop a pay increase being given to you by the firm?

- 15(a) Given that most firms co-operate, what do you think should be done about any firm or the managers of the firm if the firm deliberately disobeyed any Government order forbidding the firm to pay a wage increase?

- (b) If respondent replies 'nothing' ask: what do you think the other firms who obeyed the policy would do about this?
- (c) For all informants: Do you know of any penalties which the Government can legally impose if a firm defies an order to stop a wage increase?

- 16(a) Are there any bodies other than the Government who you feel could be capable of controlling a prices and incomes policy?

YES/NO/D.K.

- (b) If yes, whom? (If 'NO/D.K.' skip to Q.16(d))
- (c) Would you prefer that this body takes over the responsibility for the implementation of the prices and incomes policy rather than the Government?

YES/NO/D.K.

(Note additional comments)

- (d) For all informants: How do you feel about the idea that a tripartite council composed of T.U.C. members, C.B.I. members and neutral members (academics or judges) should take over responsibility for an incomes policy rather than the Government - Do you approve or disapprove?

APPROVE/DISAPPROVE/D.K.

- (e) If disapprove, why?

If approve ask Q.16(f), if disapprove ask Q.17

- (f) Would it be essential for this body to have compulsory powers, backed by the Government if necessary, to enforce its decisions?

YES/NO/D.K.

- (g) If yes, why?

- (h) If no, why not?

- (i) For all informants answering Q.16(f): Would you approve of disapprove of such a body getting compulsory powers?

APPROVE/DISAPPROVE/D.K.

If we could now turn to the question of wage increases;

17. Who do you think most deserves a pay rise

- (a) Within the country as a whole?

- (b) Why?

- (c) How much do they earn now?

Income per annum
(Middle of range)

- (d) Within the firm?

- (e) Why?

- (f) How much do you think they earn now? (Average income per annum.

Check with Wages Department)

18. Who do you think least deserves a pay increase
- (a) Within the country as a whole?
 - (b) Why?
 - (c) How much do they earn now? Income per annum
(Middle of range)
 - (d) Within the firm?
 - (e) Why?
 - (f) How much do you think they earn now? (Average income per annum.
Check with Wages Department)
19. The Government has laid down a number of criteria for pay increases over the years;
- (a) Which criteria are now accepted by the Government for pay increases?
 - (b) Of which type of increases do the Government, on the whole, disapprove?
- 20(a) Do you think a man's income should rise if the cost of living rises?
YES/NO/D.K.
(If 'NO' skip to Q.20(e))
- (b) If yes, why?
 - (c) Why, do you think, doesn't the Government approve of income rising as the cost of living rises?
 - (d) If respondent mentions 'inflation': Do you think the case for an incomes rise outweighs these problems?
YES/NO/D.K. (Now skip to Q.20(f))
 - (e) If no, why not?
 - (f) Does your firm take the Retail Price Index into account when pay increases are being determined?
YES/NO/D.K.

- 21(a) How do you feel about the statement in a Government White Paper which stated that less regard should be paid to such factors as general comparisons with other employments when considering pay increases?

(Show card No.2)

- (i) Very much in agreement with the statement
- (ii) Agree with the statement
- (iii) No feelings either way
- (iv) Disagree with the statement
- (v) Very much in disagreement with the statement

(b) Why?

- (c) Why, do you think, does the Government object to this as a criterion for income increases?

- 22(a) According to the Government, the lower paid workers have a strong case for consideration for a pay increase. Do you agree?

YES/NO/D.K.

(b) If yes, why?

(c) If no, why not?

(d) How would you define a lower paid worker? (male adult)

(Note if the informant asks whether or not the worker has a family)

(i) In terms of pay? £.....per week

(Note whether this is basic rate

basic rate less tax

basic rate including bonus, O/T

basic rate including bonus, O/T less tax)

(ii) In terms of occupation?

- (e) In your view do the lower paid workers in your organisation have a strong case for a consideration for a pay increase?

YES/NO/D.K.

(f) Who are the lower paid in your organisation?

(g) What do they earn? (Check with Wages Department)

- 23(a) If a national minimum wage were to be introduced today, what do you think this wage ought to be for a male adult working a basic 40 hour week with no overtime or other benefits?

(Note if informant asks if the worker has a family)

- (b) Why did you choose this figure?
- (c) Do you think that there ought to be a national minimum wage?
YES/NO/D.K.
- (d) If yes, why?
- (e) If no, why not?
- (f) For all informants: Do you think a national minimum wage will cause any particularly tricky problems?
YES/NO/D.K.
- (g) If yes, what are these problems?

24. Which factors do you feel determine the level of a man's income today?

25. Which criteria would you like to see determine the level of a man's income?

- 26(a) From your experience in industry, for what sort of reason do most people accept that it is fair that other people are paid more than they are?

- (b) Why?

If we could now return to the question of the prices and incomes policy;

- 27(a) While the country has a prices and incomes policy, do you think it ought to apply to all firms or should some be exempt?

ALL FIRMS/SOME EXEMPT/D.K.

(b) If all firms, why?

(Now skip to Q.28(a))

(c) If some exempt, which type of firm should be exempt?

(d) Why?

(e) Do you think your firm should be exempt?

YES/NO/D.K.

(f) If yes, why?

(g) If no, why not?

28(a) Can your firm do anything to improve the nation's economic situation?

YES/NO/D.K.

(If 'NO' skip to Q.28(e))

(b) If yes, what?

(c) Is the firm going to do this in the future?

(d) If no, why not?

(e) If no, why not?

29(a) What effect do you think the last pay award had on your profits?

INCREASE/DECREASE/NO EFFECT

(b) For increase, why?

(c) For decrease, why?

(d) For no effect, why?

(e) In general, do you feel that your firm has to raise its prices when it pays a 5% wage increase - or not?

RAISE PRICES/DOES NOT RAISE PRICES/D.K.

(note additional comments)

Additional comments (if any):-

- 30(a) What advantages, if any, are there for your firm in the Government's pursuance of a prices and incomes policy?
- (b) What disadvantages, if any, are there for your firm in the Government's pursuance of a prices and incomes policy?
- 31(a) How do you think a successful prices and incomes policy would affect your work as a manager?

(Show card No.3) (i) It would be easier
 (ii) It would not be affected
 (iii) It would be more difficult
 (iv) I don't know

- (b) How do you think a successful prices and incomes policy would affect you as a private citizen?

(Show card No.4) (i) I should be better off
 (ii) I should not be affected
 (iii) I should be worse off
 (iv) I don't know

(Explain if asked that 'successful' is defined as meeting the Government's own objectives)

- 32(a) If there were to be no prices and incomes policy, do you think that there is some way in which the national interest can be considered explicitly in the formulation of a collective bargaining agreement between management and trade unions?

(Show card No.5) YES/NO/D.K.

- (b) If yes, how?
- (c) If no, why not?

- 33(a) Which would you rather see:-

- (i) Some planning of incomes with guide lines laid down by the Government
- (ii) A return to free collective bargaining

- (b) If guide lines, why?
- (c) If free collective bargaining, why?

34. How would you like prices and incomes policy to be used in the future:-

(Show card No.6)

- (i) A permanent mechanism for determining movements in prices and incomes
- (ii) A temporary measure to be used at times of economic crisis
- (iii) A policy which ought never to be used.

35(a) Do you feel that the Government's prices and incomes policy has been successful to date, or not?

SUCCESSFUL/UNSUCCESSFUL/D.K.

(b) If successful, why?

(c) If unsuccessful, why not?

36(a) How do you feel about the role of the Government and its policy on prices?

- (i) The Government needs to take more control over prices
- (ii) The Government needs to take the same control over prices as it has at present
- (iii) The Government needs to take less control over prices
- (iv) The Government needs to have no control over prices
- (v) Don't know

(b) If (i), why?

(c) If (ii), why?

(d) If (iii), why?

(e) If (iv), why?

37(a) How do you feel about the role of the Government and its policy on incomes.

- (i) The Government needs to take more control over incomes
- (ii) The Government needs to take the same control over incomes as it has at present

- (iii) The Government needs to take less control over incomes
 (iv) The Government needs to have no control over incomes
 (v) Don't know
- (b) If (i), why?
- (c) If (ii), why?
- (d) If (iii), why?
- (e) If (iv), why?
- 38(a) What, if anything, do you see as the chief obstacle to the effective working of the Government's prices and incomes policy?
- (b) If something, why is this likely to prevent the policy working effectively?
- (c) What could be done to prevent this happening?

BACKGROUND INFORMATIONThe FirmThe ManagerName of firmPosition

Title.....

Top Management
Middle ManagementSize of firmTerminal EducationLarge
Small
MediumSenior Secondary School
Junior Secondary School
University
Technical College
Other.....IndustryAgeUnder 30 years
31 - 40
41 - 50
51+Type of productionInvolvement in firm's pay negotiationsMass
Batch
Continuous flow
One off
Other.....Direct
Indirect
NoneBranches of firmInvolvement in pay disputesScotland only
Britain
Abroad
NoneDirect
Indirect
No involvement
No disputesAge of firmType of Trade Union (Manager's Assessment)1 - 10 years
11 - 25
26 - 50
51+Does little
Fair
Militant
D.K.AddressDate InterviewedTel. No.Interviewee

APPENDIX 7

Distribution of answers of 270 respondents to the question:
 "In the light of what you have read or heard, what would
 you say are the objectives of the Government's prices and
 incomes policy?"

Classification of Answers	No. of Replies	Percentage of Total Sample %
To hold prices stable as productivity catches up <u>or</u> to get workers to produce more for higher wages	42	15.6
To control inflation/the wage-price spiral	37	13.7
To 'balance' the economy and other vague statements about the economy	29	10.7
Respondents 'did not know' or gave no description of the objectives of the policy	25	9.3
Meaningless or incorrect answers	24	8.8
To stop wages and prices rising (no relationship expressed)	23	8.5
To stop prices rising	23	8.5
To improve the balance of payments	23	8.5
To maintain our competitiveness abroad <u>or</u> to increase exports by keeping wages/prices at a level which does not price our goods out of world markets	20	7.4
To get the country on its feet/out of the mess it is in and similar vague statements	12	4.4
To stop wages rising	9	3.3
To maintain our competitiveness abroad <u>or</u> to increase exports by keeping wages/prices at a level which does not price our goods out of world markets - by increasing productivity to keep wages/prices down	7	2.6
To make people work harder/increase productivity	6	2.2

Ten of the 270 managers asked the question mentioned two items separately and these have been recorded as separate items. There are, therefore, 280 entries in the table.

APPENDIX 8

Distribution of answers of 270 respondents to the question: "What does the term inflation mean to you?"⁽¹⁾

Classification of Answers	No. of Replies	Percentage of Total Sample %
Money losing value; buying power of the pound sterling falling	67	24.8
Rising prices/cost of living rising	64	23.7
Wages must be related to increased productivity; to increase the standard of living we must increase productivity	58	21.5
Britain not paying its way; balance of payment problems	47	17.4
Something to do with the value of money/quantity of money/high prices or similarly badly expressed comments about relevant variables; measures taken to control inflation	27	10.0
Spiral of increasing wages and prices	17	6.3
Prices and incomes are out of step with production or affect the balance of trade; wages are too high for production which affects the balance of trade	16	5.9
No answer given	10	3.7
Wages, prices and production <u>or</u> quantity of money and production are out of step and affect the balance of trade	7	2.6

- (1) 43 of the 270 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 313 items in the table.

APPENDIX 9

Distribution of answers of 270 respondents to the question: "Where does devaluation come in all this - what good can it do Britain?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
To reduce export prices/to improve exports	99	36.7
To improve our competitive position abroad /the balance of payments	31	11.5
To strengthen the pound sterling; to get the currency into equilibrium with others	28	10.4
To improve our competitive position abroad /to improve balance of payments by increasing exports/reducing export prices <u>or</u> decreasing imports/increasing import prices	28	10.4
To increase exports/reduce export prices and to decrease imports/increase import prices	22	8.1
Vague answers, eg. to help the economy/ country; to pay our way	20	7.4
No answer given	20	7.4
Meaningless answers	18	6.7
To improve our competitive position abroad /to improve the balance of payments by increasing import prices/reducing imports <u>and</u> by decreasing export prices/increasing exports	10	3.7
To increase import prices/to reduce imports	3	1.1

(1) 9 of the 270 managers mentioned two items separately and these have been recorded as separate answers. There are, therefore, 279 entries in the table.

APPENDIX 10

The Criteria laid down by Governments
over the years since the War-----

The use of criteria for income increases really began seriously with the Labour Government's White Paper, "Statement on Personal Incomes, Costs and Prices"⁽¹⁾ which stated that each claim

"must be considered on its national merits and on the basis of maintaining a former relativity between different occupations and industries"

and that

"there is no justification for any general increase of individual money incomes..... unless accompanied by a substantial increase in production, it would drive up prices and charges."⁽²⁾

It is essential, therefore, that there should be no further general increase in the level of personal incomes without a corresponding increase in the volume of production."⁽³⁾

The Attlee Government was not, however, prepared to interfere further than to state these general principles and certainly did not intend to make and enforce judgements on its criteria.

".....It is not desirable for the Government to interfere directly with the incomes of individuals other than by taxation. To go further would mean that the Government would be forced itself to assess and regulate all personal incomes according to some scale which would have to be determined. This would be an incursion by the Government into what has hitherto been regarded as a field of free contract between individuals and organisations." ⁽⁴⁾

(1) Statement on Personal Incomes, Costs and Prices, Cmd.7321, H.M.S.O., London, 1948.

(2) Ibid, p.3.

(3) Ibid, p.2

(4) Ibid, p.3

The general aim in the 1948 White Paper was to stress the necessity of wage increases being comparable to production increases. This was endorsed by the Council on Prices, Productivity and Incomes⁽¹⁾ which also stated that there was a need to adjust the rise in money incomes to that of productivity. This guideline of the Council on Prices, Productivity and Incomes was followed quickly by the beginnings of the incomes policy as we know it today set out in a White Paper issued by the Conservative Government in 1962. Besides setting a norm of 2-2½% per annum for wage and salary increases, this White Paper⁽²⁾ gave the criteria for payment increases as increased productivity and increases in pay to attract labour to certain industries. The White Paper, setting out the terms of reference for the National Incomes Commission, gave a more detailed description of these criteria⁽³⁾ and stated that the N.I.C., in considering pay claims, was to have regard to

- "(a) the desirability of keeping the rate of increase of the aggregate of monetary incomes within the long-term rate of increase of national production;
- (b) the desirability of paying a fair reward for the work concerned;
- (c) the manpower needs of the service, industry or employment concerned, taking into account any regional or local differences in such needs, and the importance of securing the most efficient deployment and use of national resources including manpower....."

The first and third criteria above were also mentioned in the Wilson Administration's White Paper, 'Prices and Incomes Policy'.

(1) Council on Prices Productivity and Incomes, Fourth Report, H.M.S.O., London, 1961, p.27.
 (2) Incomes Policy: The Next Step, Cmnd.1626, H.M.S.O., London, 1962, p.4.
 (3) National Incomes Commission, Cmnd.1844, H.M.S.O., London, 1962, p.4.

(April, 1965) which defined the second criteria mentioned above as appertaining to lower paid workers and to situations where there is a widespread recognition that the pay of a group of workers had fallen seriously out of line with workers doing a similar job and this situation needed to be improved in the national interest. The 1965 White Paper laid down a growth norm of $3-3\frac{1}{2}\%$ per annum for incomes though this was to be re-examined from time to time in the light of reviews conducted by the National Economic Development Council (N.E.D.C.). Increases in wages and salaries above the norm were to be confined to cases in which exceptional treatment could have been shown to be necessary in the national interest. The criteria for exceptional pay increases were as follows:- (1)

- i) where the employees concerned, for example by accepting more exacting work or a major change in working practices, make a direct contribution towards increasing productivity in the particular firm or industry.....;
- ii) where it is essential in the national interest to secure a change in the distribution of manpower (or to prevent a change which would otherwise take place) and a pay increase would be both necessary and effective for this purpose;
- iii) where there is general recognition that existing wage and salary levels are too low to maintain a reasonable standard of living;
- iv) where there is widespread recognition that the pay of a certain group of workers has fallen seriously out of line with the level of remuneration for similar work and needs in the national interest to be improved.

In July, 1966 in a statement in the House of Commons the Prime Minister drew attention to the fact that money incomes had been

(1) Prices and Incomes Policy, Cmnd.2639, H.M.S.O., London, 1965, pp.8-9.

rising faster than could be justified by the rate of increasing production and called for a standstill on prices and incomes. (The standstill, however, did not apply to fixed scales of payments, increased remuneration due to promotion, increased expenses incurred at work by the employee or to increased earnings as a result of increased output, eg. piece work, commissions on sales, necessary increases in overtime, profit-sharing schemes, etc.) A White Paper issued at this time⁽¹⁾ set the norm for income increases from July 1966 to the end of June 1967 at zero. Powers lasting for twelve months were taken to prevent specified prices or incomes being increased without Ministerial consent during the period of the Prices and Incomes Standstill (20th July 1966 - 31st December 1966) and the period of Severe Restraint (1st January 1967 - 30th June 1967). A White Paper issued just before the commencement of the period of Severe Restraint⁽²⁾ confirmed the zero norm for incomes rises and stated that as in the period of Prices and Incomes Standstill the criteria for incomes rises set out in Cmnd.2639 would continue to be in abeyance. Certain increases were to be allowed but in general it was sought to keep the rise in money incomes to a minimum. Increased productivity and efficiency were allowed to lead to increased pay if the increase served the national interest; pay increases justified by family needs were to be confined to the lower paid workers only; pay increases to attract manpower were justified

(1) Prices and Incomes Standstill, Cmnd.3073, H.M.S.O., London, 1966.

(2) Prices and Incomes Standstill: Period of Severe Restraint, Cmnd.3150, H.M.S.O., London, 1966.

only in exceptional cases and employers were encouraged to use their existing manpower more effectively; cases based on 'gross anomalies' in pay were granted exemption from the general restriction only after strict examination to ensure that the anomalies did exist and were not used as excuses to 'catch up' with other groups.

The next White Paper⁽¹⁾ again stated that there was no justification for returning to the norm of $3\frac{1}{2}\%$ per annum which prevailed up to July 1966 and which in practice tended to be regarded as the minimum increase which everyone expected to receive. The criteria for incomes increases of Cmnd.2639 were once again to be applied after a pause of twelve months though the Government stressed the productivity and lower paid criteria.

In April 1968, the Government laid down the criteria for income increases for the next two years,⁽²⁾ confirming the criteria of the previous White Paper (Cmnd.3235), once again stressing the productivity and lower paid worker factors. A ceiling for income increases of $3\frac{1}{2}\%$ per annum was laid down though income increases for productivity increases, certain lower paid workers' claims and increases meeting the other criteria but where the group involved had not had an increase for more than one year could move the ceiling to a higher level.

(1) Prices and Incomes Policy after 30th June 1967, Cmnd.3235, H.M.S.O., London, 1967.

(2) Productivity, Prices and Incomes Policy in 1968 and 1969, Cmnd.3590, H.M.S.O., London, 1968.

APPENDIX 11

Distribution of answers of 270 respondents to the question:
 "The Government has laid down a number of criteria for pay
 increases over the years; which criteria are now accepted
 by the Government for pay increases?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Increased productivity	146	54.1
No answer given including 'don't know'	54	20.0
Two criteria from - increased productivity; to get a beneficial change in the distribution of manpower in the national interest; existing wage and salary levels being too low to maintain a reasonable standard of living/low paid workers; those who have seemingly fallen seriously out of line with those in similar work	29	10.7
Cost of living increases	12	4.4
3 - 3½% norm	8	3.0
Lower paid workers/those whose existing wage and salary levels are too low to maintain a reasonable standard of living	8	3.0
Increased responsibility/promotion or merit increases/skill increases	8	3.0
Other incorrect answers	7	2.6
To get a beneficial change in the distribution of manpower	1	0.4
Those whose incomes have fallen seriously out of line with those in similar work	1	0.4

(1) 4 of the 270 managers mentioned two items separately and these have been recorded as separate answers. There are, therefore, 274 entries in the table.

APPENDIX 12

Distribution of answers of 270 respondents to the question: "Of which type of increases do the Government, on the whole, disapprove?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
No answer given	113	41.9
Any not related to productivity	58	21.5
Incorrect answers	49	18.2
General increases given for none of the reasons allowed by the Government	20	7.4
Pay increases given to correspond to changes in the cost of living	19	7.0
General comparisons with incomes in other employments	6	2.2
Higher paid workers	5	1.9
Any which are not <u>one</u> of: lower paid workers; to secure a favourable distribution of manpower; those seriously out of line with similar occupations	1	0.4
General comparisons with incomes in other employments and pay increases to correspond to changes in the cost of living	0	0

- (1) 1 of the 270 managers mentioned two items separately and these have been classified as separate items. There are, therefore, 271 entries in the table.

APPENDIX 13

The Organisations who carry the prices and
incomes policy into effect

The present system for reviewing prices and incomes was laid out in a White Paper in February 1965.⁽¹⁾

It had been felt essential that, to have an agreed policy for prices and incomes, representatives of the Government, Management and the Unions were required to ascertain, to interpret and to assess the relevant facts about price and income behaviour. To associate all three parties with a general review N.E.D.C. was invited to undertake to gather the relevant economic information.

To investigate particular cases of price and income behaviour, the Government set up, with the agreement of Management and Unions, the National Board for Prices and Incomes working in two separate divisions known as the Prices Review Division and the Incomes Review Division respectively. The Government was able to refer cases to these Divisions which were to examine the cases in order to advise whether or not the behaviour of prices or of wages, salaries or other money incomes was in the national interest as defined by the Government after consultation with Management and Unions.⁽²⁾

The co-operation of the C.B.I. and T.U.C. was sought in two ways. Firstly, the C.B.I. and T.U.C. were asked to play a vital

(1) Machinery of Prices and Incomes Policy, Cmnd.2577, H.M.S.O., London, 1965.

(2) Later, detail was provided by the criteria for price and incomes increases in Prices and Incomes Policy, Cmnd.2639.

part in securing the support of their members for the policy and in advising their members on the application of the policy. Secondly, the C.B.I. and T.U.C. were invited to co-operate in the drawing up of the 'early-warning' system.⁽¹⁾ This system, on one side, involved manufacturers notifying the appropriate Government Department before increasing the price of one of a selected number of goods which were basically important elements in the cost of living. On the other side, the C.B.I., the T.U.C., Unions not affiliated to the T.U.C., and employers organisations not members of the C.B.I. and firms not affiliated to any organisation were expected to keep the Government informed about developments in incomes matters, such as claims, formal offers, references to arbitration and terms of settlement.

The Government Department concerned, on receipt of this information, would consider whether further enquiries were desirable to judge whether settlement of the claim was consistent with the criteria laid down and whether there was a prima facie case for reference to the National Board for Prices and Incomes.

(1) 10 of the 270 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 260 entries in the table.

(1) Prices and Incomes Policy: An 'Early Warning' System, Cmnd. 2808, H.M.S.O., London, 1965.

APPENDIX 14

Distribution of answers of 270 respondents to the question: "What machinery or organisations exist to carry the Government's prices and incomes policy into effect?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
No answer given including 'don't know'	76	28.1
N.B.P.I.	68	25.2
The Government/Government Departments	37	13.7
The Government/Government Departments and N.B.P.I.	25	9.3
The Government/Government Departments/ N.B.P.I. and T.U.C./Trade Unions and C.B.I./Employers' Federations/Employ- ers	15	5.6
N.E.D.C.	14	5.2
Incorrect answers	12	4.4
T.U.C./Trade Unions <u>or</u> C.B.I./Employ- ers' Federations/Employers	10	3.7
T.U.C./Trade Unions and C.B.I./ Employers' Federation/Employers	9	3.3
N.B.P.I. and <u>either</u> T.U.C./Trade Unions <u>or</u> C.B.I./Employers' Federa- tions/Employers	6	2.2
The Government/Government Departments and <u>either</u> T.U.C./Trade Unions <u>or</u> C.B.I./ Employers' Federations/Employers	4	1.5
The Government/Government Departments <u>and</u> N.B.P.I. and <u>either</u> T.U.C./Trade Unions <u>or</u> C.B.I./Employers' Federa- tions/Employers	4	1.5

- (1) 10 of the 270 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 280 entries in the table.

APPENDIX 15The Government's Reserve Powers

The powers available to the Government at the time the interviews were undertaken derived from Part II of the Prices and Incomes Act of 1966 as extended by the Prices and Incomes Act of 1967 and were exercisable in the context of references to the National Board for Prices and Incomes. These powers enabled the Government to require statutory notification of proposed increases in prices and pay and provided that the powers to impose a standstill on increases in prices and charges and on the implementation of awards and settlements could be extended, if there was an adverse report by the N.B.P.I., for a period not exceeding six months from the date of reference to the Board. This meant that in cases where statutory notification was required there could be a seven month standstill. If an increase or settlement had already taken place before it was referred to the N.B.P.I. the Government could require that the increase be suspended for three months or until the Board's report was published, provided the Government acted within three months of the increase being made. If the Board's report was adverse then the standstill could be extended to a further six months from the date of the Government's first intervention.

APPENDIX 16

Distribution of answers of 270 respondents to the question: "If the Government has reserve powers, what are these powers?"(1)

Classification of Answers	No. of Replies	Percentage Total Sample %
Answers revealing the respondent was aware the Government had reserve powers but had no idea what these powers involved	75	27.8
The Government has not got reserve powers	59	21.9
The Government can delay price or income increases/has delaying powers	41	15.2
Respondent could not say if the Government had reserve powers or not	30	11.1
Vague ideas about 'norms', 'orders' and incorrect ideas	27	10.0
The Government can bring legal action if people go against the policy	13	4.8
The Government can stop/freeze price or/and income increases	9	3.3
The Government can delay increases in prices and incomes for up to 7 months. (6 months delay coded here, too)	9	3.3
Cases of intended price and income increases can be referred by the Government to N.B.P.I. who can delay these increases	6	2.2
All intended increases in prices and incomes must be notified to the Government/Government Departments who can delay these intended increases	3	1.1

(1) 2 of the 270 managers mentioned two items separately and these have been classified as separate items. There are, therefore, 272 entries in the table.

APPENDIX 17The Penalties for Disobeying the Policy

The Prices and Incomes Act, 1966 had laid down,⁽¹⁾ and the Act of 1967 confirmed that:

"(1) It shall be an offence for an employer to implement an award or settlement in respect of employment at a time when the implementation of the award or settlement is forbidden under the forgoing provisions of this Part of the Act.

.....

(3) A person guilty of an offence under subsection (i) of this section shall be liable -

- (a) on summary conviction to a fine not exceeding one hundred pounds, and
- (b) on conviction on indictment to a fine which, if the offender is not a body corporate, shall not exceed five hundred pounds."

There was, however, no limit to fines for bodies corporate which included companies but not trade unions.

(1) Prices and Incomes Act, 1966, Part II, Section 16.

APPENDIX 18

Distribution of answers of 270 respondents to the question: "Do you know of any penalties which the Government can legally impose if a firm defies an order to stop a wage increase?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Respondent did not know about the penalties involved	181	67.0
Fines	39	14.4
Penalties/legal penalties	13	4.8
No penalties can be used	10	3.7
Fines of up to £500, £500 fines	9	3.3
Imprisonment	8	3.0
Fines up to £100, £100 fines	6	2.2
Heavy fines (not stating on whom the fines were to be imposed)	4	1.5
Unlimited penalties (not stating what these penalties were)	4	1.5

(1) 4 of the 270 managers mentioned two items separately and these have been classified as separate answers. There are, therefore, 274 entries in the table.

APPENDIX 19

The Questions Used in The Comprehension
Assessment Index

To obtain a picture of the comparative distributions of the seven questions used to discover a manager's comprehension assessment index the 'good' and 'adequate' answers given by the respondents in Tables 3.1 to 3.7 were grouped together as 'satisfactory' answers. The 'vague' and 'poor' answers in the same tables were grouped and considered as 'inadequate' answers. The results are shown in Table 1.

It can be seen from the table that four of the seven questions had between 22.2% and 36.3% of their answers classed as 'satisfactory' answers. Three questions had a different distribution of answers. Almost half of the answers to the question on the objectives of the prices and incomes policy were 'satisfactory' answers. It was felt, however, that the replies to this question, which had been poorly answered by the general public, were exceptionally good and should not be devalued by giving the answers a lower weighting than the others in the index.

Two other questions - those on the criteria for income increases - had their percentage of satisfactory answers well outside the range of the four questions mentioned above. The distributions of the two questions on the criteria for pay increases, however, differed in opposite directions. It was felt that it had been relatively easy to obtain a 'satisfactory' answer in Table 3.4

merely by mentioning one of four criteria (one of which was productivity). It was also considered far more difficult than in the other questions to obtain a good answer to the question on criteria condemned by the Government by mentioning the two not-so-well-known injunctions of the Government. Consequently, it was felt that these two questions would balance each other and no adjustment was made in the weighting of the answers.

Table I

Distributions of Answers to Questions included in the Comprehension Assessment Index (Answers divided into Satisfactory (Good and Adequate) Answers and Inadequate (Vague and Poor) Answers)

Subject of the Question	Table	Distribution of Answers		Percentage of Satisfactory Answers to each Question %
		Satisfactory Answers	Inadequate Answers	
Objectives of the Incomes Policy	3.1	131	139	48.5
Meaning of Inflation	3.2	98	172	36.3
Devaluation	3.3	60	210	22.2
Criteria Approved by the Government	3.4	185	85	68.5
Criteria Disapproved by the Government	3.5	25	245	9.3
Machinery of Incomes Policy	3.6	63	207	23.3
Government's Reserve Powers	3.7	79	191	29.3
TOTAL		641	1249	33.9 (Average)

APPENDIX 20

Distribution of the Respondents' Comprehension
Assessment Indices
----- (Lowest Indices show greatest comprehension) -----

Comprehension Assessment Index	Number of Managers	Percentage of Total Sample %
07	0	0
08	0	0
09	0	0
10	0	0
11	3	1.1
12	2	0.7
13	5	1.9
14	9	3.3
15	8	3.0
16	13	4.8
17	25	9.3
18	23	8.5
19	31	11.5
20	34	12.6
21	26	9.6
22	22	8.1
23	18	6.7
24	20	7.4
25	10	3.7
26	9	3.3
27	7	2.5
28	5	1.9

APPENDIX 21

Relation of Size of Firm to (a) Managers' Involvement
in Pay Negotiations, (b) Terminal Education, (c) Re-
ceipt of Information

(a) Involvement in Pay Negotiations

Size of Firm	Direct %	In- direct %	No Involve- ment %	Total Percent- age %	Total No. in Group
Large (1000+ employees)	54.2	37.5	8.3	100.0	24
Larger Medium (250-999 employees)	43.0	21.5	35.4	100.0	79
Smaller Medium (100-249 employees)	35.2	25.9	38.9	100.0	54
Small (11-99 employees)	53.1	20.4	26.5	100.0	113

(b) Terminal Education

Size of Firm	Junior Second- ary School %	Senior Second- ary School %	Techni- cal College %	Profess- ional Qual. %	Uni- versi- ty %	Total Percent- age %	Total No. in Group
Large (1000+ employees)	16.7	16.7	25.0	12.5	29.2	100.0	24
Larger Medium (250-999 employees)	13.9	13.9	40.5	19.0	12.7	100.0	79
Smaller Medium (100-249 employees)	16.7	33.3	29.6	9.3	11.1	100.0	54
Small (11-99 employees)	22.1	23.9	31.0	9.7	13.3	100.0	113

(c) Receipt of Information

Size of Firm	Followed policy in mass media %	Did not follow policy in mass media %	Total Percentage %	Total No. in Group
Large (1000+ employees)	87.5	12.5	100.0	24
Larger Medium (250-999 employees)	92.4	7.6	100.0	79
Smaller Medium (100-249 employees)	83.3	16.7	100.0	54
Small (11-99 employees)	84.1	15.9	100.0	113
	Received Information at work %	Did not receive information at work %		
Large (1000+ employees)	54.2	45.8	100.0	24
Larger Medium (250-999 employees)	39.2	60.8	100.0	79
Smaller Medium (100-249 employees)	27.8	72.2	100.0	54
Small (11-99 employees)	23.9	76.1	100.0	113

Sources of Information Received at Work by the
Managers
(Many of the Managers Received Information from
several Sources)

Source of Information	No. of Respondents Receiving Information	Percentage of Total Sample Receiving Information %
Ministry of Labour (now Department of Employment and Productivity)	31	11.5
Department of Economic Affairs	36	13.3
Board of Trade	23	8.5
Government White Papers	9	3.3
T.U.C.	2	0.7
Individual Trade Unions	7	2.6
C.B.I.	40	14.8
Individual Employers' Federations	38	14.1
Own Firm	13	4.8
Other	7	2.6

APPENDIX 23(a) Relation between the Manager's Age and his
Understanding of Incomes Policy

Age	Comprehension Assessment Rating					Total Percent- age %	Total No.in Group
	Much above average %	Above average %	Average %	Below Average %	Much below average %		
Under 30 years	10.7	17.9	42.9	17.9	10.7	100.0	28
31-40 "	16.1	11.3	46.8	16.1	9.7	100.0	62
41-50 "	8.0	16.1	49.4	13.8	12.6	100.0	87
51 and over	7.5	12.9	55.9	11.8	11.8	100.0	93

(b) Relation between the Manager's Position in
the Firm and his Understanding of Incomes
Policy

Position in the Firm	Comprehension Assessment Rating					Total Percent- age %	Total No.in Group
	Much above average %	Above average %	Average %	Below Average %	Much below average %		
Top Management	11.2	14.1	55.9	11.8	7.1	100.0	170
Middle Management	8.0	14.0	41.0	18.0	19.0	100.0	100

APPENDIX 24

Relation of Receipt of Information to
a Manager's Terminal Education

Terminal Education	Receipt of Information		Total Percent- age %	Total No.in Group
	Followed pol- icy in mass media %	Did not follow policy in mass media %		
Junior Second- ary School	71.4	28.6	100.0	49
Senior Second- ary School	93.3	6.7	100.0	60
Technical College	86.5	13.5	100.0	89
Professional Qualification	94.1	5.9	100.0	34
University	89.5	10.5	100.0	38
	Received in- formation at work %	Did not receive information at work %		
Junior Second- ary School	14.2	85.7	100.0	49
Senior Second- ary School	28.3	71.7	100.0	60
Technical College	32.6	67.4	100.0	89
Professional Qualification	44.1	55.9	100.0	34
University	47.4	52.6	100.0	38

(a) Relation of Managers' Terminal Education
to their Involvement in Pay Negotiations

Terminal Education	Involvement in Pay Negotiations			Total Percent- age %	Total No. in Group
	Direct %	In- direct %	No Involvement %		
Junior Secondary School	34.7	14.3	51.0	100.0	49
Senior Secondary School	38.3	30.0	31.7	100.0	60
Technical College	51.7	22.5	25.8	100.0	89
Professional Qualification	52.9	26.5	20.6	100.0	34
University	57.9	23.7	18.4	100.0	38

(b) Relation of Receipt of Information to
Managers' Involvement in Pay Negotiations

Involvement in Pay Negotiations	Receipt of Information		Total Percent- age %	Total No. in Group
	Followed policy in mass media %	Did not follow policy in mass media %		
Direct	87.3	12.7	100.0	126
Indirect	90.5	9.5	100.0	63
No Involvement	82.7	17.3	100.0	81
	Received Information at work %	Did not receive Information at work %		
Direct	46.8	53.2	100.0	126
Indirect	22.2	77.8	100.0	63
No Involvement	16.0	84.0	100.0	81

APPENDIX 26

Distribution of answers of 270 respondents to the question: "Who or what do you think has been mainly responsible for our economic difficulties which have led the Government to the idea of prices and incomes planning?"(1)-----

Classification of Answers	No. of Replies	Percentage of Total Sample %
Weak government (not necessarily Labour Government); past and present governments; Labour and Conservative Governments; politicians trying to please everyone in the past. Lack of government planning in the past	81	30.0
This Government (Labour); the Labour party; lack of confidence in the Labour Government	55	20.4
Trade Unions; Trade Unions being too strong/always demanding more pay	42	15.6
Bad/weak management; inefficient management	34	12.6
People will not work hard enough; people are lazy	19	7.0
Answers concerning the balance of payments situation, eg. too little exporting; too much importing	19	7.0
Too much Government spending	17	6.3
Greed; 'Human Nature' implying greed or selfishness; lack of interest in Britain's economic situation; indifference to the economic situation	15	5.6
Lack of production; wages rising faster than productivity	14	5.2
The country is spending more than it earns	11	4.1
Other answers	9	3.3
No answer given	14	5.2

(1) 60 of the 270 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 330 items in the table.

APPENDIX 27

Relation of the Respondent's background factors to the respondent's preference for (a) guidelines laid down by the Government or (b) a return to free collective bargaining.

Factor	Percentage preferring guidelines %	Percentage preferring collective bargaining %	Total No. in Group
<u>Comprehension Assessment</u>			
Much above average comprehension	55.5	40.7	27
Above average comprehension	78.9	21.1	38
Average comprehension	57.4	34.6	136
Below average comprehension	44.7	47.4	38
Much below average comprehension	35.5	51.6	31
<u>Involvement in Pay Negotiations</u>			
Direct Involvement	55.6	42.1	126
Indirect Involvement	54.0	34.9	63
No Involvement	58.0	30.9	81
<u>Age</u>			
Under 30 years	67.9	21.4	28
31 - 40 years	66.1	30.6	62
41 - 50 years	52.9	35.6	87
51 years and over	48.4	47.3	93
<u>Position in Firm</u>			
Top Management	49.4	43.5	170
Middle Management	67.0	26.0	100

Factor	Percentage preferring guidelines %	Percentage preferring collective bargaining %	Total No. in Group
<u>Size of Firm</u>			
Large Firms (1000+ employees)	83.3	12.5	24
Larger Medium Firms (250-999 employees)	64.6	29.1	79
Smaller Medium Firms (100-249 employees)	64.8	29.6	54
Small Firms (11-99 employees)	39.8	51.3	113
<u>Terminal Education</u>			
Senior Secondary School	53.3	38.3	60
Junior Secondary School	59.2	30.6	49
Technical College	52.8	41.6	89
Professional Qualification	61.8	35.3	34
University	57.9	34.2	38
<u>Information Receipt</u>			
Managers followed the policy in mass media	58.1	35.5	112
Managers did not follow the policy in mass media	41.7	47.2	158
Managers received information at work	62.8	31.4	86
Managers did not receive information at work	52.7	39.7	184

APPENDIX 28

Distribution of answers of 154 respondents to the question: "Why do you feel that the Government's prices and incomes policy has been unsuccessful/partially unsuccessful?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Prices/cost of living has risen	52	19.3
The Government cannot carry out the policy; the Government is too weak to carry out the policy	48	17.8
Prices and incomes have risen	23	8.5
There has been unrest/discontent about the policy; there is not enough support for the policy	18	6.7
Incomes have risen	16	5.9
Prices have risen faster than incomes	14	5.2
Productivity has not been high enough	7	2.6
Other answers	7	2.6
No answer given	3	1.1

(1) 34 of the 154 respondents mentioned two items separately and these have been recorded as separate items. There are, therefore, 188 entries in the table.

APPENDIX 29

Distribution of answers of 82 respondents to the question: "What effect has the Government's prices and incomes policy had on the firm's thinking and planning of wages?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
The firm is more cautious about wage rises; the firm considers the national situation; the firm realises the need for restraint	26	9.6
The firm keeps incomes down/does not give pay increases. The firm uses the policy as an excuse not to give pay increases	22	8.1
The firm only gives a pay increase if productivity increases	18	6.7
Other answers	3	1.1
No answer given or the manager did not know what effect the prices and incomes policy had on the firm	14	5.2

(1) 1 of the 82 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 83 entries in the table.

(1) 1 of the 82 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 83 entries in the table.

APPENDIX 30

Distribution of answers of 270 respondents to the question: "What advantages, if any, are there for your firm in the Government's pursuance of a prices and incomes policy?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
None	85	31.4
It keeps our prices stable/down	47	17.4
It keeps incomes stable/down	37	13.7
It keeps our costs stable/down	36	13.3
It helps in wage negotiations by bringing the problems to the employees' notice	20	7.4
It helps in planning/budgeting/quoting	17	6.3
It only allows wage increases if productivity rises	14	5.2
It helps to increase profits	11	4.1
Other answers	12	4.4
No answer given	29	10.7

(1) 38 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 308 entries in the table.

APPENDIX 31

Distribution of answers of 270 respondents to the question: "What disadvantages, if any, are there for your firm in the Government's pursuance of a prices and incomes policy?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
None	135	50.0
It does not allow the firm to reward good men/initiative	27	10.0
It does not allow the firm to raise prices/to raise prices if costs rise	18	6.7
It means the firm can lose employees; people leave for other jobs	15	5.5
Trade Unions/employees become dissatisfied	14	5.2
It affects our freedom; the Government is interfering	14	5.2
Other answers	21	7.7
No answer given	28	10.4

(1) 2 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 272 entries in the table.

People's ignorance of the policy/economic situation

Other answers

No answer given

(1) 2 of the 224 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 231 entries in the table.

APPENDIX 32

Distribution of answers of 224 respondents to the question: "Why do you think a prices and incomes policy cannot be successful on a voluntary basis?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
People's selfishness/lack of interest in the policy; people not being sufficiently public-spirited; 'Human Nature' implying selfishness or greed; interest in money implying selfishness or greed; dishonesty; permanent dissatisfaction implying selfishness or greed (ie. unjustified dissatisfaction)	91	33.7
General or certain unwillingness to accept the policy/co-operate with it; some people always try to evade the policy/put in big pay claims	51	18.9
Trade Unions' unwillingness to accept or support the policy	40	14.8
People's varying ideas of values; 'the human element' implying diversity of opinions; people will not agree	13	4.8
Unwillingness to make the first move/fears of making the first and only move/lack of trust in the policy/lack of confidence in the voluntary principle	12	4.4
Prices/cost of living must be controlled before people can accept a voluntary incomes policy	10	3.7
People's ignorance of the policy/economic situation	6	2.2
Other answers	4	1.5
No answer given	4	1.5

(1) 7 of the 224 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 231 entries in the table.

APPENDIX 33

Distribution of answers of 218 respondents to the question: "Why do you think it is essential for the Government to have compulsory powers for prices and incomes policy?"

Classification of Answers	No. of Replies	Percentage of Total Sample %
Due to the country's poor economic situation it is essential for the Government to have compulsory powers for a prices and incomes policy	78	28.9
People's selfishness/ignorance/varying ideas of values make it essential for the Government to have compulsory powers for a prices and incomes policy	63	23.3
Trade Unions/people's unwillingness to co-operate or to accept the policy make it essential for the Government to have compulsory powers for a prices and incomes policy	58	21.5
Inequalities in the relative position of price and income levels make it essential for the Government to have compulsory powers for a prices and incomes policy	14	5.2
No answer given	5	1.9

APPENDIX 34

Distribution of answers of 121 respondents to the question: "Why do you approve of the Government having compulsory powers for a prices and incomes policy?"

Classification of Answers	No. of Replies	Percentage of Total Sample %
The Government has to control us; the scheme will only work with the Government in control of it	45	16.7
Someone has to do it; we need a system; there is no other way	16	5.9
People's selfishness/lack of interest in the policy; people not being sufficiently public-spirited; 'Human Nature' implying selfishness or greed; interest in money implying selfishness or greed; dishonesty; permanent dissatisfaction implying selfishness or greed (ie. unjustified dissatisfaction)	15	5.6
General or certain unwillingness to accept the policy /co-operate with it; some people always try to evade the policy/put in big pay claims	14	5.2
Other answers	9	3.3
No answer given	22	8.1

APPENDIX 35

Distribution of answers of 142 respondents to the question: "Why do you disapprove of the Government having compulsory powers?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Both sides of industry/one side of industry do not like compulsion; voluntary means are preferred	84	31.1
A free enterprise system/market system/capitalist system is best	27	10.0
Vague answers indicating that with compulsory powers the policy would not work	9	3.3
The Government does not understand other people's problems	9	3.3
Compulsory powers lull incentives; incentives are necessary	7	2.6
We can/ought to help the Government without it needing powers	6	2.2
No answer given	1	0.4

(1) 1 of the 142 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 143 entries in the table.

The problem is too complicated; a policy cannot be worked out

People's ignorance of the policy/the economic situation

Management will give in to men/will not obey the policy if it does not suit them

Other answers

No answer given

(1) 60 of the 270 managers mentioned two items separately and these have been recorded as two separate items. There are, therefore, 330 entries in the table.

APPENDIX 36

Distribution of answers of 270 respondents to the question: "What if anything do you see as the chief obstacle to the effective working of the Government's prices and incomes policy?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Workers/Trade Unions/T.U.C. will not accept the policy/will cause trouble	72	26.7
People's selfishness/lack of interest in the policy; people are not sufficiently public-spirited; 'Human Nature' implying selfishness or greed; dishonesty; permanent dissatisfaction implying selfishness or greed (ie. unjustified dissatisfaction); interest in money implying selfishness or greed	65	24.1
General or certain unwillingness to accept the policy/co-operate with it; some people always try to evade the policy/put in big pay claims	56	20.7
Prices/cost of living must be controlled before the policy can succeed	36	13.3
The Government's administration of the policy is weak/is not forceful enough; there is no leadership from the Government	22	8.1
People do not like being told what to do; the policy affects the individual's freedom	21	7.7
The problem is too complicated; a policy cannot be worked out	14	5.2
People's ignorance of the policy/the economic situation	9	3.3
Management will give in to men/will not obey the policy if it does not suit them	8	3.0
Other answers	13	4.8
No answer given	14	5.2

(1) 60 of the 270 managers mentioned two items separately and these have been recorded as two separate items. There are, therefore, 330 entries in the table.

APPENDIX 37

Distribution of answers of 270 respondents to the question: "Given that most firms co-operate, what do you think should be done about any firm or the managers of the firm if the firm deliberately disobeyed any Government order forbidding the firm to pay a wage increase?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample $\frac{\%}{2}$
The firm should be fined severely	57	21.1
No action should be taken	51	18.9
The firm should be fined	39	14.4
The Government should prosecute/Take action - vague answers	26	9.6
The firm should be fined (severity to be dependent on the size of the pay increase/infringement of the law)	15	5.6
The Government should hold back contracts/subsidies/grants/tax allowances from the firm	15	5.6
The managers/directors/people concerned should be imprisoned	10	3.7
The firm should be fined (severity to be dependent on the size of the firm)	7	2.6
The Government should take over/close the firm	7	2.6
The managers/directors/people concerned should be fined	6	2.2
Respondent did not know/No answer given	51	18.9

(1) 14 of the 270 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 284 entries in the table.

APPENDIX 38

Relation between the respondents' comprehension
assessment ratings and their views about the
future use of a prices and incomes policy-----

Respondents' Comprehension	Respondents' stated preference of the future role of a prices and incomes policy			
	A Permanent Policy %	A Temporary Policy %	A policy never to be used %	No. in group
Much above and above average comprehension	47.7	47.7	4.6	65
Average comprehension	37.5	49.3	12.5	136
Much below and below average comprehension	33.3	46.4	17.4	69
Government, E.E.C. and U.C./ Trade Unions and C.B.I./Employers/ Employers' Federations			1.5	
E.E.C.			0.7	
Other answers			3.0	
No answer given			1.5	

Distribution of answers of 128 respondents to the question: "Which body other than the Government do you feel could be capable of controlling a prices and incomes policy?"

Classification of Answers	No. of Replies	Percentage of Total Sample %
T.U.C./Trade Unions and C.B.I./Employers/Employers' Federations	42	15.6
C.B.I./Employers/Employers' Federations	26	9.6
T.U.C./Trade Unions	26	9.6
Trade Unions and Employers in each industry	16	5.9
Government/N.E.D.C. and T.U.C./Trade Unions and C.B.I./Employers/Employers' Federations	4	1.5
N.E.D.C.	2	0.7
Other answers	8	3.0
No answer given	4	1.5

APPENDIX 40

Distribution of answers of 117 respondents
to the question: "Why do you disapprove of
the tripartite body?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
The final decision should be in the Government's hands; this organisation should merely act as advisers	43	15.9
The organisation would never agree; too many interests involved in this organisation	24	8.9
The neutrals give no benefit/are useless/do not know enough	23	8.5
The organisation is too unwieldy/ too confusing	9	3.3
Other answers	15	5.6
No answer given	5	1.9

- (1) 2 of the 117 managers mentioned two items separately and these have been recorded as separate items. There are, therefore, 119 entries in the table.

APPENDIX 41

Distribution of answers of 160 respondents to the question: "Why do you approve of the Government's statement on comparisons of incomes?"(1)-----

Classification of Answers	No. of Replies	Percentage of Total Sample %
A man's own merit/worth should be assessed	47	17.4
Each industry/trade has its own results and should not be compared with others	38	14.1
There are too many factors involved in any job to enable it to be compared with others	25	9.3
Productivity ought to be the factor used to assess a man's worth	23	8.5
Each firm has its own results and should not be compared with others	18	6.7
People draw envidious comparisons	9	3.3
Other answers	4	1.5
No answer given	28	10.4

(1) 32 of the 160 managers gave two separate answers and these have been recorded as separate items. There are, therefore, 192 entries in the table.

APPENDIX 42

Distribution of answers of 270 respondents to the question: "Why, do you think, does the Government object to general comparability with other incomes as a criterion for income increases?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
Comparisons lead to a spiral/leap-frogging of wage claims	68	25.2
Each industry/trade has its own results and should not be compared with others	23	8.5
People choose invidious comparisons/compare themselves to the highest group and this leads to further pay increases	23	8.5
Comparisons involve no increased productivity	19	7.0
Jobs cannot be compared; there are too many factors involved to enable a comparison to be made	15	5.6
People ought to be paid according to their worth/merits	15	5.6
Other answers	14	5.2
No answer given	98	36.3

(1) 5 of the 270 respondents mentioned two separate answers and these have been recorded as separate answers. There are, therefore, 275 entries in the table.

APPENDIX 43

Distribution of answers of 203 respondents to the question: "Why do you think the lower paid workers have a strong case for consideration for a pay increase?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
The lower paid are on a subsistence/existence level	76	28.1
The lower paid cannot cope with rising prices/increasing cost of living	54	20.0
The lower paid workers' incomes do not encourage them to work; social/unemployment benefits are higher	32	11.9
There is too big a differential in pay between the lower paid and others	11	4.1
This is necessary for social justice	9	3.3
Other answers	14	5.2
No answer given	21	7.8

(1) 14 of the 203 managers mentioned two separate answers and these have been recorded as separate items. There are, therefore, 217 entries in the table.

APPENDIX 44

Distribution of answers of 151 respondents to the question: "Why do you think that there ought to be a national minimum wage?"(1)

Classification of Answers	No. of Replies	Percentage of Total Sample %
It is better to have a man working for an income than receiving the same pay through unemployment benefit; to stop people deliberately seeking unemployment benefit	29	10.7
To give people a decent standard of living	28	10.4
It costs so much to live, a basic standard is needed	22	8.1
Some employers take advantage of their employees/pay very low wages	19	7.0
To be fairer to all; for social justice	19	7.0
To reduce the level of poverty	12	4.4
To stop industrial unrest	8	3.0
Other answers	11	4.1
No answer given	13	4.8

(1) 10 of the 151 managers mentioned two separate answers and these have been recorded as separate items. There are, therefore, 161 entries in the table.

APPENDIX 45

Actual incomes of groups some respondents felt most/
least deserved a pay increase within the country as
a whole

Occupation	Actual Income/ Income Range £
Civil Servant - Joint Permanent Secretary	9,200
Permanent Secretary	8,600
Under Secretary ⁽¹⁾	5,250
Doctor (Houseman - just qualified) ⁽²⁾	1,100 - 1,300
Enrolled Nurse (newly qualified) ⁽²⁾	595 - 755
Member of Parliament ⁽¹⁾	3,250
Old Age Pensioner - single ⁽³⁾	234
married	380
Police Constable ⁽⁴⁾	870 - 1,205
School teacher (primary school - female) ⁽⁵⁾	680 - 1,340 (before April 1968) 730 - 1,465 (after April 1968)

- Sources: (1) Scottish Information Office.
 (2) Scottish Home and Health Department.
 (3) Ministry of Social Security.
 (4) Department of Employment and Productivity.
 (5) Scottish Education Department.